

PROVIDING FOR CONSIDERATION OF H.R. 4737, PERSONAL
RESPONSIBILITY, WORK, AND FAMILY PROMOTION ACT
OF 2002

MAY 15, 2002.—Referred to the House Calendar and ordered to be printed

Ms. PRYCE of Ohio, from the Committee on Rules,
submitted the following

R E P O R T

[To accompany H. Res. 422]

The Committee on Rules, having had under consideration House Resolution 422, by a record vote of 8 to 4, report the same to the House with the recommendation that the resolution be adopted.

SUMMARY OF PROVISIONS OF THE RESOLUTION

The resolution provides for the consideration of H.R. 4737, the Personal Responsibility, Work, and Family Promotion Act of 2002, under a modified closed rule. The rule waives all points of order against consideration of the bill.

The rule provides two hours of debate in the House, with 50 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, 40 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Education and the Workforce, and 30 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Energy and Commerce.

The rule makes in order the amendment printed in this report, if offered by Representative Cardin of Maryland or his designee, which shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent. The rule waives all points of order against the amendment printed in the report.

Finally, the rule provides one motion to recommit with or without instructions.

COMMITTEE VOTES

Pursuant to clause 3(b) of House rule XIII the results of each record vote on an amendment or motion to report, together with the names of those voting for and against, are printed below:

Rules Committee record vote No. 94

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Frost.

Summary of motion: To grant an open rule for H.R. 4737.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 95

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Frost.

Summary of motion: To strike all after the resolved clause and insert: that upon the adoption of this resolution it shall be in order without intervention of any point of order to consider in the House the bill (H.R. 4737) to reauthorize and improve the program of block grants to States for temporary assistance for needy families, improve access to quality child care, and for other purposes. The bill shall be considered as read for amendment. The previous question shall be considered as ordered on the bill and on any amendment thereto to final passage without intervening motion except: (1) two hours of debate on the bill, with 50 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Ways and Means, 40 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Education and the Workforce, and 30 minutes equally divided and controlled by the chairman and ranking minority member of the Committee on Energy and Commerce. No amendment shall be in order except the amendment in the nature of a substitute printed in the report of the Committee on Rules accompanying this resolution, if offered by Representative Cardin of Maryland or his designee, which shall be in order without intervention of any point of order, shall be considered as read, and shall be separately debatable for one hour equally divided and controlled by the proponent and an opponent. After disposition of the amendment, the previous question shall be considered as ordered on the bill as it may have been amended to final passage without intervening motion except one motion to recommit with or without instructions.

Results: Defeated 4 to 7.

Vote by Members: Linder—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 96

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Frost.

Summary of motion: To make in order the amendment offered by Mr. Becerra, to remove the five-year ban in the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 that prevents states from using federal Temporary Assistance for Needy Families (TANF) funds to serve legal immigrants in the U.S. require that the sponsor's income be deemed in determining a legal immigrant's eligibility for TANF during the individuals first three years in the U.S.

Results: Defeated 5 to 6.

Vote by Members: Linder—Nay; Diaz-Balart—Yea; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 97

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Frost.

Summary of motion: To make in order the amendment offered by Mrs. Clayton, to strike the food stamp program from the super-waiver and strike the proposed five state block grant of the food stamp program.

Results: Defeated 4 to 7.

Vote by Members: Linder—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 98

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Frost.

Summary of motion: To make in order the amendment offered by Mr. George Miller of California, to increase the funding for Child Care and Development Block Grant by \$11.5 billion over the next 5 years. Increase the quality set-aside in CCDBG from 4 percent to 12 percent and create an incentive grant program for states to increase their provider payment rates. Expand services to nearly one million more low-income working families.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Price—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 99

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mrs. Slaughter.

Summary of motion: To make in order the amendment offered by Mrs. Clayton, to require states, in submitting their state TANF

plan to the Secretary of HHS, to document the steps that they will undertake to address TANF implementation in rural areas.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 100

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mrs. Slaughter.

Summary of motion: To make in order the amendment offered by Mr. Frank, to add to TANF the federal civil rights protections contained in Section 201(f) of the Charitable Choice provisions of H.R. 7 and a section disallowing the pre-emption of state and local civil rights laws.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record Vote No. 101

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order the amendment offered by Mr. Frank and Mr. LaFalce, to strike references in title VII of H.R. 4700 to the United States Housing Act of 1937 and the McKinney-Vento Homelessness Act so that waiver authority for qualified programs granted under the bill would not apply to public housing or homelessness programs.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record Vote No. 102

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order the amendment offered by Mr. Holt, to authorize a longitudinal study of employment and earnings of TANF leavers. Require states to include disability status in the information they report about TANF families. Mandate an annual report to Congress that includes greater detail about state programs funded under TANF and the reasons individuals leave state TANF programs. Authorize a longitudinal study of applicants and recipients to determine the factors that contribute to positive employment and family outcomes.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—

Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 103

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order en bloc, all of the amendments offered by Ms. Jackson-Lee.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 104

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order the amendment offered by Mr. Kennedy of Rhode Island, to protect the integrity of the programs that participate in superwaiver projects under Title VII by requiring that the superwaiver actually be used to deliver coordinated services in rough proportion to the programs' contributions of funding, not to reprogram dollars to new purposes.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 105

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order the amendment offered by Mr. Kildee, to strike the superwaiver and the food stamp block grant provisions in the bill (Title VII).

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 106

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order the amendment offered by Mr. Kind, to provide a state option to include non-custodial parents (fathers) who are paying current child support payments and are receiving only employment services in its worker participation rate.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—

Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 107

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order the amendment offered by Ms. Lee, to provide \$100 million per year to allow states to implement a comprehensive approach to sex education in the schools that includes information about both abstinence and contraception from both a values and public health perspective. The program would complement the three year abstinence-only-until-marriage programs that receive federal funding, including one reauthorized in the bill. Includes education on both abstinence and contraception for the prevention of unwanted teen pregnancy and sexually transmitted infections, including HIV/AIDS.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote no. 108

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order the amendment offered by Mr. George Miller of California, to provide stronger protections against non-displacement of workers.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 109

Date May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. McGovern.

Summary of motion: To make in order the amendment offered by Ms. Mink, to provide for referral of the individual who has been subjected to domestic violence for services to address the violence and provides that if the work-eligible individual is unable to comply with the program requirements due to sexual or domestic violence, assistance to the individual and family shall not be reduced or terminated.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 110

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Mr. Payne, to provide that grandparents not be required to adhere to traditional work requirements that are proposed in the reauthorization of TANF.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 111

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Ms. Solis, to allow states to have the option of exempting parents caring for a child who is either under the age of three, disabled, or seriously ill from the direct work requirements of TANF.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 112

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Mr. Wu, to exempt, on a state determined case-by-case basis, individuals from the TANF requirements for up to one year if they do not have a high school diploma or equivalency, or are illiterate, or do not speak proficient English. To exempt such TANF recipients from 24-hour work requirement, states must require such individuals to be enrolled in a basic education program designed to rectify their education deficiencies and to participate in a combined 40 hours of activity per week consistent with the goals of the TANF program.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 113

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Mr. Scott, to amend the Charitable Choice provision in the TANF statute (Section 103) regarding religious organizations operating publicly funded programs from discriminating against employees (whose salaries are paid with public funds) based on religion. The

amendment makes a reasonable exception for employees who were employed with the religious organization prior to the awarding of the contract.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 114

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Ms. Solis, to require states to collect and report demographic data (including race, gender, educational, level, and primary language) on welfare recipients, individuals diverted from welfare and families leaving welfare. Require states to describe in their state plans how they will comply with civil rights and nondiscrimination laws and how they will train caseworkers to work with diverse clientele. Require the Secretary of Health and Human Services to carry out a longitudinal study of TANF applicants and recipients to determine the factors that contribute to finding good jobs.

Results: Defeated 4 to 7.

Vote by Members: Linder—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 115

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Ms. Tauscher, to provide states with an incentive to exercise their option to increase the hours of participation per week of their welfare participants. States that choose to exercise this option would be entitled to increase child care funding as follows: if a state's caseload reaches 35 hours per week, the state's child care funding would be increased by 10 percent and if a state's caseload reaches 40 hours per week, the state's child care funding would be increased by 25 percent.

Results: Defeated 4 to 7.

Vote by Members: Linder—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 116

Date: May 15 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Ms. Woolsey, to add "the placement of women in nontraditional occupations" to the list of activities that can be counted towards the

Bonus to Reward Employment Achievement. Limits the use of the Bonus money to the same activities than can be counted towards the Bonus. States which receive funds from the Bonus to Reward Employment Achievement can only use such funds for employment entry, job retention, increased earnings and placement of women in nontraditional occupations.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 117

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Ms. Woolsey, to require each state under the self-sufficiency standard to: calculate and describe a self-sufficiency standard, include in each family's self-sufficiency plan an assessment of what services the family needs, such as education and training, child care, transportation, etc. to move that family to achieve the self-sufficiency standard, refer the family to those services; requires states to submit an annual report to the Secretary of HHS showing the ways the state has used its TANF funds to move families toward self-sufficiency, the total family income for families which left welfare that year, and the public benefits received by families that left welfare that year.

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 118

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Mr. Hastings of Florida.

Summary of motion: To make in order the amendment offered by Mr. Wu, to extending existing state federal welfare waivers for the duration of the TANF authorization (through 2007).

Results: Defeated 4 to 8.

Vote by Members: Linder—Nay; Pryce—Nay; Diaz-Balart—Nay; Hastings (WA)—Nay; Myrick—Nay; Sessions—Nay; Reynolds—Nay; Frost—Yea; Slaughter—Yea; McGovern—Yea; Hastings (FL)—Yea; Dreier—Nay.

Rules Committee record vote No. 119

Date: May 15, 2002.

Measure: H.R. 4737.

Motion by: Ms. Pryce.

Summary of motion: To report the resolution.

Results: Passed 8 to 4.

Vote by Members: Linder—Yea; Pryce—Yea; Diaz-Balart—Yea; Hastings (WA)—Yea; Myrick—Yea; Sessions—Yea; Reynolds—Yea;

Frost—Nay; Slaughter—Nay; McGovern—Nay; Hastings (FL)—Nay; Dreier—Yea.

SUMMARY OF THE AMENDMENT MADE IN ORDER

Cardin—Democratic Substitute. Expands state flexibility to provide training and education to welfare recipients (such activities would count for up to 24 months against a state's participation requirement). Increases to 70 percent the number of welfare recipients that are required to be engaged in work-related activities. Provides states with an employment credit that would reduce a state's participation requirement according to the number of welfare recipients that have left welfare for work over the last six months. Maintains the current-law requirement on total participation hours (30 per week with a State option to go higher) with a requirement that 24 hours be in certain activities. Maintain the current 20-hour requirement for mother with young children. Maintains the current five-year time limit on TANF benefits. Increases mandatory funding for child care by \$11 billion over the next five years and increase TANF for inflation. Removes various barriers to serving legal immigrants, including the current ban on states providing Federally-funded TANF benefits to immigrant families. Includes reducing poverty and increasing self-sufficiency as a new purpose of the TANF program and provide financial bonuses to states reducing child poverty.

TEXT ON THE AMENDMENT MADE IN ORDER

Strike all after the enacting clause and insert the following:

SECTION 1. SHORT TITLE.

This Act may be cited as the “Next Step in Reforming Welfare Act”.

SEC. 2. TABLE OF CONTENTS.

The table of contents of this Act is as follows:

- Sec. 1. Short title.
- Sec. 2. Table of contents.
- Sec. 3. Amendment of Social Security Act.

TITLE I—CONTINUATION OF CERTAIN GRANTS

- Sec. 101. Family assistance grants.
- Sec. 102. Bonus to reward high performance States.
- Sec. 103. Extension of supplemental grants.
- Sec. 104. Additional grants for States with low Federal funding per poor child.
- Sec. 105. Contingency Fund.
- Sec. 106. Eligibility of Puerto Rico, the United States Virgin Islands, and Guam for the supplemental grant for population increases, the Contingency Fund, and mandatory child care funding.
- Sec. 107. Direct funding and administration by Indian tribes.

TITLE II—POVERTY REDUCTION

- Sec. 201. Additional purpose of TANF program.
- Sec. 202. Child poverty reduction grants.
- Sec. 203. Review and conciliation process.
- Sec. 204. Replacement of caseload reduction credit with employment credit.
- Sec. 205. States to receive partial credit toward work participation rate for recipients engaged in part-time work.
- Sec. 206. TANF recipients who qualify for supplemental security income benefits removed from work participation rate calculation for entire year.
- Sec. 207. State option to include recipients of substantial child care or transportation assistance in work participation rate.
- Sec. 208. Effective date.

TITLE III—REQUIRING AND REWARDING WORK

- Sec. 301. Effect of wage subsidies on 5-year limit.
- Sec. 302. Child care.
- Sec. 303. Competitive grants to improve access to various benefit programs.
- Sec. 304. Assessments for TANF recipients.
- Sec. 305. Applicability of workplace laws.
- Sec. 306. Work participation requirements.
- Sec. 307. Hours of work-related activities.
- Sec. 308. State option to require recipients to engage in work for 40 hours per week.
- Sec. 309. Revision and simplification of the transitional medical assistance program (tma).
- Sec. 310. Ensuring TANF funds are not used to displace public employees.

TITLE IV—HELPING WELFARE LEAVERS CLIMB THE EMPLOYMENT LADDER

- Sec. 401. State plan requirement on employment advancement.
- Sec. 402. Employment Advancement Fund.
- Sec. 403. Elimination of limit on number of TANF recipients enrolled in vocational education or high school who may be counted towards the work participation requirement.
- Sec. 404. Counting of up to 2 years of vocational or educational training (including postsecondary education), work-study, and related internships as work activities.
- Sec. 405. Limited counting of certain activities leading to employment as work activity.
- Sec. 406. Clarification of authority of States to use TANF funds carried over from prior years to provide TANF benefits and services.
- Sec. 407. Definition of assistance.

TITLE V—PROMOTING FAMILY FORMATION AND RESPONSIBLE PARENTING

- Sec. 501. Family Formation Fund.
- Sec. 502. Distribution of child support collected by States on behalf of children receiving certain welfare benefits.
- Sec. 503. Elimination of separate work participation rate for 2-parent families.
- Sec. 504. Ban on imposition of stricter eligibility criteria for 2-parent families; State opt-out.
- Sec. 505. Extension of abstinence education funding under maternal and child health program.

TITLE VI—RESTORING FAIRNESS FOR IMMIGRANT FAMILIES

- Sec. 601. Treatment of aliens under the TANF program.
- Sec. 602. Optional coverage of legal immigrants under the medicaid program and SCHIP.
- Sec. 603. Eligibility of disabled children who are qualified aliens for SSI.

TITLE VII—ENSURING STATE ACCOUNTABILITY

- Sec. 701. Inflation adjustment of maintenance-of-effort requirement.
- Sec. 702. Ban on using Federal TANF funds to replace State and local spending that does not meet the definition of qualified State expenditures.

TITLE VIII—IMPROVING INFORMATION ABOUT TANF RECIPIENTS AND PROGRAMS

- Sec. 801. Extension of funding of studies and demonstrations.
- Sec. 802. Longitudinal studies of employment and earnings of TANF leavers.
- Sec. 803. Inclusion of disability status in information States report about TANF families.
- Sec. 804. Annual report to the Congress to include greater detail about State programs funded under TANF.
- Sec. 805. Enhancement of understanding of the reasons individuals leave State TANF programs.
- Sec. 806. Standardized State plans.
- Sec. 807. Study by the Census Bureau.
- Sec. 808. Access to welfare; welfare outcomes.

TITLE IX—EFFECTIVE DATE

Sec. 901. Effective date.

SEC. 3. AMENDMENT OF SOCIAL SECURITY ACT.

Except as otherwise expressly provided, wherever in this Act an amendment or repeal is expressed in terms of an amendment to, or repeal of, a section or other provision, the amendment or repeal shall be considered to be made to a section or other provision of the Social Security Act.

TITLE I—CONTINUATION OF CERTAIN GRANTS

SEC. 101. FAMILY ASSISTANCE GRANTS.

(a) **IN GENERAL.**—Section 403(a)(1)(A) (42 U.S.C. 603(a)(1)(A)) is amended by striking “1996” and all that follows through “2002” and inserting “2003 through 2007”.

(b) **INFLATION ADJUSTMENT.**—Section 403(a)(1) (42 U.S.C. 603(a)(1)) is amended—

(1) in subparagraph (B)—

(A) by striking “means the greatest of—” and inserting “means, with respect to a fiscal year specified in subparagraph (A) of this paragraph—

“(i) the greatest of—”;

(B) by redesignating each of clauses (i), (ii)(I), (ii)(II), and (iii) as subclauses (I), (II)(aa), (II)(bb), and (III), respectively;

(C) by indenting each of the provisions specified in subparagraph (B) of this paragraph 2 additional ems to the right;

(D) by striking the period and inserting “; multiplied by”;

and

(E) by adding at the end the following:

“(ii) 1.00, plus the inflation percentage (as defined in subparagraph (F) of this paragraph) in effect for the fiscal year specified in subparagraph (A) of this paragraph.”; and

(2) by adding at the end the following:

“(F) **INFLATION PERCENTAGE.**—For purposes of subparagraph (B) of this paragraph, the inflation percentage applicable to a fiscal year is the percentage (if any) by which—

“(i) the average of the Consumer Price Index (as defined in section 1(f)(5) of the Internal Revenue Code of 1986) for the 12-month period ending on September 30 of the immediately preceding fiscal year; exceeds

“(ii) the average of the Consumer Price Index (as so defined) for the 12-month period ending on September 30, 2001.”.

SEC. 102. BONUS TO REWARD HIGH PERFORMANCE STATES.

Section 403(a)(4) (42 U.S.C. 603(a)(4)) is amended—

(1) in subparagraph (D), by striking “\$1,000,000,000” and inserting “\$1,800,000,000”;

(2) in subparagraph (E), by striking “and 2003” and inserting “2003, 2004, 2005, 2006, and 2007”; and

(3) in subparagraph (F), by striking “2003 \$1,000,000,000” and inserting “2002 \$800,000,000, and for fiscal years 2003 through 2007 \$1,000,000,000.”.

SEC. 103. EXTENSION OF SUPPLEMENTAL GRANTS.

Section 403(a)(3) (42 U.S.C. 603(a)(3)) is amended—

(1) in subparagraph (A)—

(A) by striking “and” at the end of clause (i);

(B) by striking the period at the end of clause (ii) and inserting “; and”; and

(C) by adding at the end the following:

“(iii) for each of fiscal years 2003 through 2007, a grant in an amount equal to the amount required to be paid to the State under this paragraph in fiscal year 2001.”;

(2) in subparagraph (E), by striking “1998” and all that follows and inserting “2003 through 2007 \$1,597,250,000 for grants under this paragraph.”; and

(3) by striking subparagraph (G).

SEC. 104. ADDITIONAL GRANTS FOR STATES WITH LOW FEDERAL FUNDING PER POOR CHILD.

Section 403(a) (42 U.S.C. 603(a)) is amended by adding at the end the following:

“(6) ADDITIONAL GRANTS FOR STATES WITH LOW FEDERAL FUNDING PER POOR CHILD.—

“(A) IN GENERAL.—The Secretary shall make a grant pursuant to this paragraph to a State—

“(i) for fiscal year 2003, if the State is an inadequately poverty-funded State for fiscal year 2002; and

“(ii) for any of fiscal years 2004 through 2007, if the State is an inadequately poverty-funded State for any prior fiscal year after fiscal year 2002.

“(B) INADEQUATELY POVERTY-FUNDED STATE.—For purposes of this paragraph, a State is an inadequately poverty-funded State for a particular fiscal year if—

“(i) the total amount of the grants made to the State under paragraph (1), paragraph (3), and this paragraph for the particular fiscal year, divided by the number of children in poverty in the State with respect to the particular fiscal year is less than 75 percent of the total amount of grants made to all eligible States under paragraph (1), paragraph (3), and this paragraph for the particular fiscal year, divided by the total number of children living in poverty in all eligible States with respect to the particular fiscal year; and

“(ii) the total of the amounts paid to the State under this subsection for all prior fiscal years that have not been expended by the State by the end of the preceding fiscal year is less than 50 percent of State family assistance grant for the particular fiscal year.

“(C) AMOUNT OF GRANT.—The amount of the grant to be made under this paragraph to a State for a particular fiscal year shall be—

“(i) if the particular fiscal year is fiscal year 2003, an amount equal to—

“(I) the number of children in poverty in the State for the then preceding fiscal year, divided by the total number of children in poverty in all States that are inadequately poverty-funded States for the then preceding fiscal year; multiplied by

“(II) the amount appropriated pursuant to subparagraph (G) for the particular fiscal year; or

“(ii) if the particular fiscal year is any of fiscal years 2004 through 2007, an amount equal to—

“(I) the amount required to be paid to the State under this paragraph for the then preceding fiscal year; plus

“(II) if the State is an inadequately poverty-funded State for the then preceding fiscal year—

“(aa) the number of children in poverty in the State for the then preceding fiscal year, divided by the total number of children in poverty in all States that are inadequately poverty-funded States for the then preceding fiscal year; multiplied by

“(bb) the amount appropriated pursuant to subparagraph (G) for the particular fiscal year.

“(D) USE OF GRANT.—A State to which a grant is made under this paragraph shall use the grant for any purpose for which a grant made under this part may be used.

“(E) DEFINITIONS.—In this paragraph:

“(i) CHILDREN IN POVERTY.—The term ‘children in poverty’ means, with respect to a State and a fiscal year, the number of children residing in the State who had not attained 18 years of age and whose family income was less than the poverty line then applicable to the family, as of the end of the fiscal year.

“(ii) POVERTY LINE.—The term ‘poverty line’ has the meaning given the term in section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any revision required by such section.

“(F) FAMILY INCOME DETERMINATIONS.—For purposes of this paragraph, family income includes cash income, except cash benefits from means-tested public programs and child support payments.

“(G) APPROPRIATIONS.—

“(i) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for grants under this paragraph—

“(I) \$65,000,000 for fiscal year 2003;

“(II) \$130,000,000 for fiscal year 2004;

“(III) \$195,000,000 for fiscal year 2005;

“(IV) \$260,000,000 for fiscal year 2006; and

“(V) \$325,000,000 for fiscal year 2007.

“(ii) AVAILABILITY.—Amounts made available under clause (i) shall remain available until expended.”.

SEC. 105. CONTINGENCY FUND.

(a) **IN GENERAL.**—Section 403(b) (42 U.S.C. 603(b)) is amended—

(1) in paragraph (2), by striking “1997” and all that follows and inserting “2003 through 2007 such sums as are necessary for payments under this subsection”; and

(2) in paragraph (3), by striking subparagraph (C) and inserting the following:

“(C) **LIMITATION ON MONTHLY PAYMENT TO A STATE.**—The total amount paid to a single State under subparagraph (A) during a fiscal year shall not exceed 20 percent of the State family assistance grant.”.

(b) **APPLICATION OF REGULAR MAINTENANCE OF EFFORT REQUIREMENT.**—Section 409(a)(10) (42 U.S.C. 609(a)(10)) is amended by striking “100 percent of historic State expenditures (as defined in paragraph (7)(B)(iii) of this subsection)” and inserting “the applicable percentage (as defined in paragraph (7)(B)(ii) of this subsection) of inflation-adjusted historic State expenditures (as defined in paragraph (7)(B)(vi) of this subsection)”.

(c) **MODIFICATION OF UNEMPLOYMENT TEST TO BECOME NEEDY STATE.**—Section 403(b)(5)(A) (42 U.S.C. 603(b)(5)(A)) is amended to read as follows:

“(A) the average rate of total unemployment in the State (seasonally adjusted) for the period consisting of the most recent 3 months for which data are available has increased by the lesser of 1.5 percentage points or by 50 percent over the corresponding 3-month period in the preceding fiscal year; or”.

(d) **MODIFICATION OF FOOD STAMP TEST TO BECOME NEEDY STATE.**—Section 403(b)(5)(B) (42 U.S.C. 603(b)(5)(B)) is amended to read as follows:

“(B) as determined by the Secretary of Agriculture, the monthly average number of households (as of the last day of each month) that participated in the food stamp program in the State in the then most recently concluded 3-month period for which data are available exceeds by at least 10 percent the monthly average number of households (as of the last day of each month) in the State that participated in the food stamp program in the corresponding 3-month period in the preceding fiscal year.”.

(e) **SIMPLIFICATION OF RECONCILIATION FORMULA.**—Section 403(b)(6) (42 U.S.C. 603(b)(6)) is amended to read as follows:

“(6) **ANNUAL RECONCILIATION.**—

“(A) **IN GENERAL.**—Notwithstanding paragraph (3), if the Secretary makes a payment to a State under this subsection in a fiscal year, then the State shall remit to the Secretary, within 1 year after the end of the first subsequent period of 3 consecutive months for which the State is not a needy State, an amount equal to the amount (if any) by which—

“(i) the maintenance of effort level (as defined in subparagraph (B)(i) of this paragraph) for the fiscal year, plus the State contribution (as defined in subparagraph (B)(ii) of this paragraph) in the fiscal year; exceeds

“(ii) the qualified State expenditures (as defined in section 409(a)(7)(B)(i)) in the fiscal year.

“(B) DEFINITIONS.—In subparagraph (A):

“(i) MAINTENANCE OF EFFORT LEVEL.—The term ‘maintenance of effort level’ means, with respect to a State and a fiscal year, an amount equal to the applicable percentage of historic State expenditures (as defined in section 409(a)(7)(B)) for the fiscal year.

“(ii) STATE CONTRIBUTION.—The term ‘State contribution’ means, with respect to a fiscal year—

“(I) the total amount paid to the State under this subsection in the fiscal year; multiplied by

“(II) 1 minus the greater of 75 percent or the Federal medical assistance percentage for the State (as defined in section 1905(b)), divided by the greater of 75 percent or the Federal medical assistance percentage for the State (as defined in section 1905(b)).”.

(f) INCREASE IN NUMBER OF MONTHS FOR WHICH STATE MAY QUALIFY FOR PAYMENTS.—Section 403(b)(4) (42 U.S.C. 603(b)(4)) is amended by striking “2-month” and inserting “3-month”.

SEC. 106. ELIGIBILITY OF PUERTO RICO, THE UNITED STATES VIRGIN ISLANDS, AND GUAM FOR THE SUPPLEMENTAL GRANT FOR POPULATION INCREASES, THE CONTINGENCY FUND, AND MANDATORY CHILD CARE FUNDING.

(a) SUPPLEMENTAL GRANT FOR POPULATION INCREASES.—

(1) IN GENERAL.—Section 403(a)(3)(D)(iii) (42 U.S.C. 603(a)(3)(D)(iii)) is amended by striking “and the District of Columbia.” and inserting “, the District of Columbia, Puerto Rico, the United States Virgin Islands, and Guam. For fiscal years beginning after the effective date of this sentence, this paragraph shall be applied and administered as if the term ‘State’ included the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam for fiscal year 1998 and thereafter.”.

(2) GRANT PAYMENT DISREGARDED FOR PURPOSES OF SECTION 1108 LIMITATION.—Section 1108(a)(2) (42 U.S.C. 1308(a)(2)) is amended by inserting “, or any payment made to the Commonwealth of Puerto Rico, the United States Virgin Islands, or Guam under section 403(a)(3)” before the period.

(b) CONTINGENCY FUND.—

(1) IN GENERAL.—Section 403(b)(7) (42 U.S.C. 603(b)(7)) is amended by striking “and the District of Columbia” and inserting “, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam.”.

(2) GRANT PAYMENT DISREGARDED FOR PURPOSES OF SECTION 1108 LIMITATION.—Section 1108(a)(2) (42 U.S.C. 1308(a)(2)), as amended by subsection (a)(2) of this section, is amended by inserting “or 403(b)” after “403(a)(3)” before the period.

(c) CHILD CARE ENTITLEMENT FUNDS.—

(1) IN GENERAL.—Section 418(d) (42 U.S.C. 618(d)) is amended by striking “and the District of Columbia” and inserting “, the District of Columbia, the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam”.

(2) AMOUNT OF PAYMENT.—

(A) GENERAL ENTITLEMENT.—Section 418(a)(1) (42 U.S.C. 618(a)(1)) is amended by striking “the greater of—” and all that follows and inserting the following:

“(A) in the case of the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam, 60 percent of the amount required to be paid to the State for fiscal year 2001 under the Child Care and Development Block Grant Act of 1990; or

“(B) in the case of any other State, the greater of—

“(i) the total amount required to be paid to the State under section 403 for fiscal year 1994 or 1995 (whichever is greater) with respect to expenditures for child care under subsections (g) and (i) of section 402 (as in effect before October 1, 1995); or

“(ii) the average of the total amounts required to be paid to the State for fiscal years 1992 through 1994 under the subsections referred to in clause (i).”;

(B) ALLOTMENT OF REMAINDER.—Section 418(a)(2)(B) (42 U.S.C. 618(a)(2)(B)) is amended to read as follows:

“(B) ALLOTMENTS TO STATES.—Of the total amount available for payments to States under this paragraph, as determined under subparagraph (A) of this paragraph—

“(i) an amount equal to 65 percent of the amount required to be paid to each of the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam for fiscal year 2001 under the Child Care and Development Block Grant Act of 1990, shall be allotted to the Commonwealth of Puerto Rico, the United States Virgin Islands, and Guam, respectively; and

“(ii) the remainder shall be allotted among the other States based on the formula used for determining the amount of Federal payments to each State under section 403(n) of this Act (as in effect before October 1, 1995).”.

(3) GRANT PAYMENT DISREGARDED FOR PURPOSES OF SECTION 1108 LIMITATION.—Section 1108(a)(2) (42 U.S.C. 1308(a)(2)), as amended by subsections (a)(2) and (b)(2) of this section, is amended by striking “or 403(b)” and inserting “, 403(b), or 418”.

(d) EFFECTIVE DATE.—The amendments made by this section shall take effect on October 1, 2002, and shall apply to expenditures for fiscal years beginning with fiscal year 2003.

SEC. 107. DIRECT FUNDING AND ADMINISTRATION BY INDIAN TRIBES.

(a) TRIBAL FAMILY ASSISTANCE GRANT.—Section 412(a)(1) (42 U.S.C. 612(a)(1)) is amended by striking “1997, 1998, 1999, 2000, and 2001” and inserting “2003 through 2007”.

(b) GRANTS FOR INDIAN TRIBES THAT RECEIVED JOBS FUNDS.—Section 412(a)(2) (42 U.S.C. 612(a)(2)) is amended by striking “1997, 1998, 1999, 2000, and 2001” and inserting “2003 through 2007”.

TITLE II—POVERTY REDUCTION

SEC. 201. ADDITIONAL PURPOSE OF TANF PROGRAM.

Section 401(a) (42 U.S.C. 601(a)) is amended—

- (1) by striking “and” at the end of paragraph (3);
- (2) by striking the period at the end of paragraph (4) and inserting “; and”; and
- (3) by adding at the end the following:
 - “(5) reduce the extent and severity of poverty and promote self-sufficiency among families with children.”.

SEC. 202. CHILD POVERTY REDUCTION GRANTS.

Section 403(a) (42 U.S.C. 603(a)) is further amended by adding at the end the following:

“(7) BONUS TO REWARD STATES THAT REDUCE CHILD POVERTY.—

“(A) IN GENERAL.—Beginning with fiscal year 2003, the Secretary shall make a grant pursuant to this paragraph to each State for each fiscal year for which the State is a qualified child poverty reduction State.

“(B) AMOUNT OF GRANT.—

“(i) IN GENERAL.—Subject to this subparagraph, the amount of the grant to be made to a qualified child poverty reduction State for a fiscal year shall be an amount equal to—

“(I) the number of children who had not attained 18 years of age by the end of the then most recently completed calendar year and who resided in the State as of the end of such calendar year, divided by the number of such children who resided in the United States as of the end of such calendar year; multiplied by

“(II) the amount appropriated pursuant to subparagraph (F) for the fiscal year.

“(ii) LIMITATIONS.—

“(I) MINIMUM GRANT.—The amount of the grant to be made to a qualified child poverty reduction State for a fiscal year shall be not less than \$1,000,000.

“(II) MAXIMUM GRANT.—The amount of the grant to be made to a qualified child poverty reduction State for a fiscal year shall not exceed an amount equal to 5 percent of the State family assistance grant for the fiscal year.

“(iii) PRO RATA INCREASE.—If the amount available for grants under this paragraph for a fiscal year is greater than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall, subject to clause (ii)(II), be increased by such equal percentage as may be necessary to ensure that the total of the amounts payable for the fiscal year under this paragraph equals the amount available for the grants.

“(iv) PRO RATA REDUCTION.—If the amount available for grants under this paragraph for a fiscal year is less than the total amount of payments otherwise required to be made under this paragraph for the fiscal year, then the amount otherwise payable to any State for the fiscal year under this paragraph shall, subject to clause (ii)(I), be reduced by such equal percentage as may be necessary to ensure that the total of the amounts payable for the fiscal year under this paragraph equals the amount available for the grants.

“(C) USE OF GRANT.—A State to which a grant is made under this paragraph shall use the grant for any purpose for which a grant made under this part may be used.

“(D) DEFINITIONS.—In this paragraph:

“(i) QUALIFIED CHILD POVERTY REDUCTION STATE.—The term ‘qualified child poverty reduction State’ means, with respect to a fiscal year, a State if—

“(I) the child poverty rate achieved by the State for the then most recently completed calendar year for which such information is available is less than the lowest child poverty rate achieved by the State during the applicable period; and

“(II) the average depth of child poverty in the State for the then most recently completed calendar year for which such information is available is not greater than the average depth of child poverty in the State for the calendar year that precedes such then most recently completed calendar year.

“(ii) APPLICABLE PERIOD.—In clause (i), the term ‘applicable period’ means, with respect to a State and the calendar year referred to in clause (i)(I), the period that—

“(I) begins with the calendar year that, as of October 1, 2002, precedes the then most recently completed calendar year for which such information is available; and

“(II) ends with the calendar year that precedes the calendar year referred to clause (i)(I).

“(iii) CHILD POVERTY RATE.—The term ‘child poverty rate’ means, with respect to a State and a calendar year, the percentage of children residing in the State during the calendar year whose family income for the calendar year is less than the poverty line then applicable to the family.

“(iv) AVERAGE DEPTH OF CHILD POVERTY.—The term ‘average depth of child poverty’ means with respect to a State and a calendar year, the average dollar amount by which family income is exceeded by the poverty line, among children in the State whose family income for the calendar year is less than the applicable poverty line.

“(v) POVERTY LINE.—The term ‘poverty line’ has the meaning given the term in section 673(2) of the Omnibus Budget Reconciliation Act of 1981, including any

revision required by such section applicable to a family of the size involved.

“(E) FAMILY INCOME DETERMINATIONS.—For purposes of this paragraph, family income includes cash income, child support payments, government cash payments, and benefits under the Food Stamp Act of 1977 that are received by any family member, and family income shall be determined after payment of all taxes and receipt of any tax refund or rebate by any family member.

“(F) APPROPRIATIONS.—

“(i) IN GENERAL.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2003 through 2007 \$150,000,000 for grants under this paragraph.

“(ii) AVAILABILITY.—Amounts made available under clause (i) shall remain available until expended.”.

SEC. 203. REVIEW AND CONCILIATION PROCESS.

(a) REQUIREMENT.—Section 408(a) (42 U.S.C. 608(a)) is amended by adding at the end the following:

“(12) REVIEW AND CONCILIATION PROCESS REQUIREMENTS.—A State to which a grant is made under section 403 shall not impose a sanction against a person under the State program funded under this part, unless the State—

“(A) has attempted at least twice (using at least 2 different methods) to notify the person of the impending imposition of the sanction, the reason for the proposed sanction, the amount of the sanction, the length of time during which the proposed sanction would be in effect, and the steps required to come into compliance or to show good cause for noncompliance;

“(B) has afforded the person an opportunity—

“(i) to meet with the caseworker involved or another individual who has authority to determine whether to impose the sanction; and

“(ii) to explain why the person did not comply with the requirement on the basis of which the sanction is to be imposed;

“(C) has considered and taken any such explanation into account in determining to impose the sanction;

“(D) has specifically considered whether certain conditions exist, such as a physical or mental impairment, domestic violence, or limited proficiency in English, that contributed to the noncompliance of the person; and

“(E) in determining whether to impose the sanction, has used screening tools developed in consultation with individuals or groups with expertise in matters described in subparagraph (D).”.

(b) PENALTY.—Section 409(a) (42 U.S.C. 609(a)) is amended by adding at the end the following:

“(15) PENALTY FOR FAILURE OF STATE TO USE REVIEW AND CONCILIATION PROCESS.—

“(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(12) during the fiscal year, the Secretary shall reduce the grant payable to the

State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 5 percent of the State family assistance grant.

“(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of non-compliance.”.

SEC. 204. REPLACEMENT OF CASELOAD REDUCTION CREDIT WITH EMPLOYMENT CREDIT.

(a) EMPLOYMENT CREDIT TO REWARD STATES IN WHICH FAMILIES LEAVE WELFARE FOR WORK; ADDITIONAL CREDIT FOR FAMILIES WITH HIGHER EARNINGS.—

(1) IN GENERAL.—Section 407(a) (42 U.S.C. 607(a)), as amended by section 503 of this Act, is amended by adding at the end the following:

“(2) EMPLOYMENT CREDIT.—

“(A) IN GENERAL.—The minimum participation rate otherwise applicable to a State under this subsection for a fiscal year shall be reduced by the number of percentage points in the employment credit for the State for the fiscal year, as determined by the Secretary—

“(i) using information in the National Directory of New Hires, or

“(ii) with respect to a recipient of assistance under the State program funded under this part who is placed with an employer whose hiring information is not reported to the National Directory of New Hires, using quarterly wage information submitted by the State to the Secretary not later than such date as the Secretary shall prescribe in regulations.

“(B) CALCULATION OF CREDIT.—

“(i) IN GENERAL.—The employment credit for a State for a fiscal year is an amount equal to—

“(I) twice the average quarterly number of families that ceased to receive cash payments under the State program funded under this part during the most recent 4 quarters for which data is available and that were employed during the calendar quarter immediately succeeding the quarter in which the payments ceased, plus, at State option, the number of families that received a non-recurring short-term benefit under the State program funded under this part during the preceding fiscal year and that were employed in during the calendar quarter immediately succeeding the quarter in which the non-recurring short-term benefit was so received; divided by

“(II) the average monthly number of families that include an adult who received cash payments under the State program funded under this part during the preceding fiscal year, plus, if the State elected the option under subclause (I), the number of families that received a non-recurring short-term benefit under the State program funded under this part during the preceding fiscal year.

“(ii) SPECIAL RULE FOR FORMER RECIPIENTS WITH HIGHER EARNINGS.—In calculating the employment credit for a State for a fiscal year, a family that, during the preceding fiscal year, earned at least 33 percent of the average wage in the State (determined on the basis of State unemployment data) shall be considered to be 1.5 families.

“(C) PUBLICATION OF AMOUNT OF CREDIT.—Not later than August 30 of each fiscal year, the Secretary shall cause to be published in the Federal Register the amount of the employment credit that will be used in determining the minimum participation rate applicable to a State under this subsection for the immediately succeeding fiscal year.”.

(2) AUTHORITY OF SECRETARY TO USE INFORMATION IN NATIONAL DIRECTORY OF NEW HIRES.—Section 453(i) (42 U.S.C. 653(i)) is amended by adding at the end the following:

“(5) CALCULATION OF EMPLOYMENT CREDIT FOR PURPOSES OF DETERMINING STATE WORK PARTICIPATION RATES UNDER TANF.—The Secretary may use the information in the National Directory of New Hires for purposes of calculating State employment credits pursuant to section 407(a)(2).”.

(b) ELIMINATION OF CASELOAD REDUCTION CREDIT.—Section 407(b) (42 U.S.C. 607(b)) is amended by striking paragraph (3) and redesignating paragraphs (4) and (5) as paragraphs (3) and (4), respectively.

SEC. 205. STATES TO RECEIVE PARTIAL CREDIT TOWARD WORK PARTICIPATION RATE FOR RECIPIENTS ENGAGED IN PART-TIME WORK.

Section 407(c)(1)(A) (42 U.S.C. 607(c)(1)(A)), as amended by section 307 of this Act, is amended by adding at the end the following flush sentence:

“For purposes of subsection (b)(1)(B)(i), a family that does not include a recipient who is participating in work activities for an average of 30 hours per week during a month but includes a recipient who is participating in such activities during the month for an average of at least 50 percent of the minimum average number of hours per week specified for the month in the table set forth in this subparagraph shall be counted as a percentage of a family that includes an adult or minor child head of household who is engaged in work for the month, which percentage shall be the number of hours for which the recipient participated in such activities during the month divided by the number of hours of such participation required of the recipient under this section for the month.”.

SEC. 206. TANF RECIPIENTS WHO QUALIFY FOR SUPPLEMENTAL SECURITY INCOME BENEFITS REMOVED FROM WORK PARTICIPATION RATE CALCULATION FOR ENTIRE YEAR.

Section 407(b)(1)(B)(ii) (42 U.S.C. 607(b)(1)(B)(ii)) is amended—

(1) in subclause (I), by inserting “who has not become eligible for supplemental security income benefits under title XVI during the fiscal year” before the semicolon; and

(2) in subclause (II), by inserting “, and that do not include an adult or minor child head of household who has become eli-

gible for supplemental security income benefits under title XVI during the fiscal year” before the period.

SEC. 207. STATE OPTION TO INCLUDE RECIPIENTS OF SUBSTANTIAL CHILD CARE OR TRANSPORTATION ASSISTANCE IN WORK PARTICIPATION RATE.

(a) **IN GENERAL.**—Section 407(a)(1) (42 U.S.C. 607(a)), as amended by sections 503 and 306 of this Act, is amended by inserting “(including, at the option of the State, a family that includes an adult who is receiving substantial child care or transportation benefits, as defined by the Secretary, in consultation with directors of State programs funded under this part, which definition shall specify for each type of benefits a threshold which is a dollar value or a length of time over which the benefits are received, and take account of large one-time transition payments, except any family taken into account under paragraph (2)(B)(i)(I))” before the colon.

(b) **STATE OPTION.**—Section 407(b)(1)(B)(i) (42 U.S.C. 607(b)(1)(B)(i)) is amended—

(1) in clause (i), by inserting “plus, at the option of the State, the number of families that include an adult who is receiving substantial child care or transportation benefits, as determined under section 407(a)(1)” before the semicolon.

(2) in subclause (ii)(I), by inserting “including, if the State has elected to include families with an adult who is receiving substantial child care or transportation benefits under clause (i), the number of such families” before the semicolon.

(c) **DATA COLLECTION AND REPORTING.**—Section 411(a)(1)(A) of such Act (42 U.S.C. 611(a)(1)(A)) is amended in the matter preceding clause (i) by inserting “(including any family with respect to whom the State has exercised its option under section 407(a)(1))” after “assistance”.

SEC. 208. EFFECTIVE DATE.

(a) **IN GENERAL.**—Except as provided in subsection (b), the amendments made by sections 204 through 207 shall take effect on October 1, 2003.

(b) **STATE OPTION TO PHASE-IN REPLACEMENT OF CASELOAD REDUCTION CREDIT WITH EMPLOYMENT CREDIT AND DELAY APPLICABILITY OF OTHER PROVISIONS.**—A State may elect to have the amendments made by sections 204(b) and 205 through 207 of this Act not apply to the State program funded under part A of title IV of the Social Security Act until October 1, 2004, and if the State makes the election, then, in determining the participation rate of the State for purposes of sections 407 and 409(a)(3) of the Social Security Act for fiscal year 2004, the State shall be credited with $\frac{1}{2}$ of the reduction in the rate that would otherwise result from applying section 407(a)(2) of the Social Security Act (as added by section 204(a)(1) of this Act) to the State for fiscal year 2004 and $\frac{1}{2}$ of the reduction in the rate that would otherwise result from applying such section 407(b)(2) to the State for fiscal year 2004.

TITLE III—REQUIRING AND REWARDING WORK

SEC. 301. EFFECT OF WAGE SUBSIDIES ON 5-YEAR LIMIT.

Section 408(a)(7) (42 U.S.C. 608(a)(7)) is amended by adding at the end the following:

“(H) LIMITATION ON MEANING OF ‘ASSISTANCE’ FOR FAMILIES WITH INCOME FROM EMPLOYMENT.—For purposes of this paragraph, at the option of the State, a benefit or service provided to a family during a month under the State program funded under this part shall not be considered assistance under the program if—

“(i) during the month, the family includes an adult or a minor child head of household who has received at least such amount of income from employment as the State may establish; and

“(ii) the average weekly earned income of the family for the month is at least \$100.”.

SEC. 302. CHILD CARE.

(a) INCREASE IN ENTITLEMENT FUNDING.—Section 418(a)(3) (42 U.S.C. 618(a)(3)) is amended—

(1) by striking “and” at the end of subparagraph (E);

(2) by striking the period at the end of subparagraph (F) and inserting a semicolon; and

(3) by adding at the end the following:

“(G) \$3,967,000,000 for fiscal year 2003;

“(H) \$4,467,000,000 for fiscal year 2004;

“(I) \$4,967,000,000 for fiscal year 2005;

“(J) \$5,467,000,000 for fiscal year 2006; and

“(K) \$5,967,000,000 for fiscal year 2007.”.

(b) AMENDMENTS TO THE CHILD CARE AND DEVELOPMENT BLOCK GRANT ACT OF 1990.—

(1) AUTHORIZATION OF APPROPRIATIONS.—Section 658B of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858) is amended to read as follows:

“SEC. 658B. AUTHORIZATION OF APPROPRIATIONS; AMOUNTS AVAILABLE FOR INCENTIVE GRANTS TO IMPROVE QUALITY OF CHILD CARE SERVICES.

“(a) AUTHORIZATION OF APPROPRIATIONS.—There are authorized to be appropriated to carry out this subchapter \$2,350,000,000 for fiscal year 2003 and such sums as may be necessary for fiscal years 2004 through 2007.

“(b) AMOUNTS AVAILABLE FOR INCENTIVE GRANTS TO IMPROVE QUALITY OF CHILD CARE SERVICES.—Of the amount made available to carry out this subchapter, \$500,000,000 shall be used for each of the fiscal years 2003 through 2007 to make grants under section 658H.”.

(2) STATE PLAN REQUIREMENTS.—Section 658E(c)(2) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)(2)) is amended—

(A) in subparagraph (A)—

(i) in clause (ii) by striking “and” at the end;

(ii) in clause (iii) by adding “and” at the end; and

(iii) by inserting after clause (iii) the following:

“(iv) in order to help ensure that parents have the freedom to choose quality center-based child care services, the State shall make significant effort to develop contracts with accredited child care providers in low-income and rural communities;”;

(B) by amending subparagraph (D) to read as follows:

“(D) CONSUMER EDUCATION INFORMATION.—Certify that the State will collect and disseminate to parents of eligible children and the general public, consumer education information that will promote informed child care choices, and describe how the State will inform parents receiving assistance under a State program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) and other low-income parents about eligibility for assistance under this subchapter.”;

(C) by amending subparagraph (H) to read as follows:

“(H) MEETING THE NEEDS OF CERTAIN POPULATIONS.—Demonstrate the manner in which the State will meet the specific child care needs of families who are receiving assistance under a State program under part A of title IV of the Social Security Act, families who are attempting through work activities to transition off of such assistance program, families with children with disabilities and other special needs, low-income families not receiving cash assistance under a State program under part A of title IV of the Social Security Act, and families that are at risk of becoming dependent on such assistance.”; and

(D) by adding at the end the following:

“(I) AVAILABILITY OF STAFF.—Describe how the State will ensure that staff from the lead agency described in section 658D will be available, at the offices of the State program funded under part A of title IV of the Social Security Act, to provide information about eligibility for assistance under this subchapter and to assist individuals in applying for such assistance.

“(J) ELIGIBILITY REDETERMINATION.—Demonstrate that each child that receives assistance under this subchapter in the State will receive such assistance for not less than 1 year before the State redetermines the eligibility of the child under this subchapter.

“(K) SUPPLEMENT NOT SUPPLANT.—Provide assurances that the amounts paid to a State under this subchapter shall be used to supplement and not supplant other State or local funds expended or otherwise available to support payments for child care assistance and to increase the quality of available child care for eligible families under this subchapter.”.

(3) PAYMENT RATES.—Section 658E(c)(4)(A) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858c(c)(4)(A)) is amended—

(A) by striking “such access” and inserting “equal access to comparable quality and types of services”; and

(B) by adding at the end the following:

“(i) Market rate surveys (that reflect variations in the cost of child care services by locality) shall be con-

ducted by the State not less often than at 2-year intervals, and the results of such surveys shall be used to implement payment rates that ensure equal access to comparable services as required by this subparagraph.

“(ii) Payment rates shall be adjusted at intervals between such surveys to reflect increases in the cost of living, in such manner as the Secretary may specify.

“(iii) Payment rates shall reflect variations in the cost of providing child care services for children of different ages and providing different types of care.”.

(4) CHILD CARE ACCOUNTABILITY IMPROVEMENTS.—Section 658G of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858e) is amended to read as follows:

“SEC. 658G. CHILD CARE ACCOUNTABILITY IMPROVEMENTS.

“(a) ACTIVITIES TO IMPROVE THE QUALITY OF CHILD CARE.—A State that receives funds to carry out this subchapter shall reserve and use not less than 12 percent of the funds for improvements in the quality of child care services provided in the State and in political subdivisions of the State.

“(1) Not less than 35 percent of the funds reserved under this subsection shall be used for activities that are designed to increase the quality and supply of child care services for children from birth through 3 years of age.

“(2) Funds reserved under this subsection shall be used for 1 or more activities consisting of—

“(A) providing for the development, establishment, expansion, operation, and coordination of, child care resource and referral services;

“(B) making grants or providing loans to eligible child care providers to assist the providers in meeting applicable State and local child care standards and recognized accreditation standards;

“(C) improving the ability of State or local government, as applicable, to monitor compliance with, and to enforce, State and local licensing and regulatory requirements (including registration requirements) applicable to child care providers;

“(D) providing training and technical assistance in areas relating to the provision of child care services, such as training relating to promotion of health and safety, promotion of good nutrition, provision of first aid, recognition of communicable diseases, child abuse detection and prevention, and care of children with disabilities and other special needs;

“(E) improving salaries and other compensation paid to full-time and part-time staff who provide child care services for which assistance is made available under this subchapter;

“(F) making grants or providing financial assistance to eligible child care providers for training in child development and early education;

“(G) making grants or providing financial assistance to eligible child care providers to support delivery of early education and child development activities;

“(H) making grants or providing financial assistance to eligible child care providers to make minor renovations to such providers’ physical environments that enhance the quality of the child care services they provide;

“(I) improving and expanding the supply of child care services for children with disabilities and other special needs;

“(J) increasing the supply of high quality inclusive child care for children with and without disabilities and other special needs;

“(K) supporting the system described in paragraph (2);

“(L) providing technical assistance to family child care providers and center-based child care providers to enable them to provide appropriate child care services for children with disabilities; and

“(M) other activities that can be demonstrated to increase the quality of child care services and parental choice.”.

“(b) CHILD CARE RESOURCE AND REFERRAL SYSTEM.—The State shall use a portion of the funds reserved under subsection (a) to support a system of local child care resource and referral organizations coordinated by a statewide, nonprofit, community-based child care resource and referral organization. The local child care resource and referral system shall—

“(1) provide parents in the State with information and support concerning child care options in their communities;

“(2) collect and analyze data on the supply of and demand for child care in political subdivisions within the State;

“(3) develop links with the business community or other organizations involved in providing child care services;

“(4) increase the supply and improve the quality of child care in the State and in political subdivisions in the State;

“(5) provide (or facilitate the provision of) specialists in health, mental health consultation, early literacy services for children with disabilities and other special needs, and infant and toddler care, to support or supplement community child care providers;

“(6) provide training or facilitate connections for training to community child care providers; or

“(7) hire disability specialists, and provide training and technical assistance to child care providers, to effectively meet the needs of children with disabilities.

(5) INCENTIVE GRANTS TO STATES.—The Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) is amended by inserting after section 658G the following:

“SEC. 658H. INCENTIVE GRANTS TO STATES.

“(a) AUTHORITY.—

“(1) IN GENERAL.—The Secretary shall use the amount made available under section 658B(b) for a fiscal year to make grants to eligible States in accordance with this section.

“(2) ANNUAL PAYMENTS.—The Secretary shall make an annual payment for such a grant to each eligible State out of the allotment for that State determined under subsection (c).

“(b) ELIGIBLE STATES.—

“(1) IN GENERAL.—In this section, the term ‘eligible State’ means a State that—

“(A) has conducted a survey of the market rates for child care services in the State within the 2 years preceding the date of the submission of an application under paragraph (2); and

“(B) submits an application in accordance with paragraph (2).

“(2) APPLICATION.—

“(A) IN GENERAL.—To be eligible to receive a grant under this section, a State shall submit an application to the Secretary at such time, in such manner, and accompanied by such information, in addition to the information required under subparagraph (B), as the Secretary may require.

“(B) INFORMATION REQUIRED.—Each application submitted for a grant under this section shall—

“(i) detail the methodology and results of the State market rates survey conducted pursuant to paragraph (1)(A);

“(ii) describe the State’s plan to increase payment rates from the initial baseline determined under clause (i);

“(iii) describe how the State will increase payment rates in accordance with the market survey results, for all types of child care providers who provide services for which assistance is made available under this subchapter;

“(iv) describe how rates are set to reflect the variations in the cost of providing care for children of different ages, different types of care, and in different localities in the State; and

“(v) describe how the State will prioritize increasing payment rates for care of higher-than-average quality, such as care by accredited providers, care that includes the provision of comprehensive services, care provided at nonstandard hours, care for children with disabilities and other special needs, care in low-income and rural communities, and care of a type that is in short supply.

“(3) CONTINUING ELIGIBILITY REQUIREMENT.—The Secretary may make an annual payment under this section to an eligible State only if—

“(A) the Secretary determines that the State has made progress, through the activities assisted under this subchapter, in maintaining increased payment rates; and

“(B) at least once every 2 years, the State conducts an update of the survey described in paragraph (1)(A).

“(4) REQUIREMENT OF MATCHING FUNDS.—

“(A) IN GENERAL.—To be eligible to receive a grant under this section, the State shall agree to make available State contributions from State sources toward the costs of the activities to be carried out by a State pursuant to subsection (d) in an amount that is not less than 20 percent of such costs.

“(B) DETERMINATION OF STATE CONTRIBUTIONS.—State contributions shall be in cash. Amounts provided by the Federal Government may not be included in determining the amount of such State contributions.

“(c) ALLOTMENTS TO ELIGIBLE STATES.—The amount made available under section 658B(b) for a fiscal year shall be allotted among the eligible States in the same manner as amounts are allotted under section 658O(b).

“(d) USE OF FUNDS.—An eligible State that receives a grant under this section shall use the funds received to significantly increase the payment rate for the provision of child care assistance in accordance with this subchapter up to the 150th percentile of the market rate survey described in subsection (b)(1)(A).

“(e) EVALUATIONS AND REPORTS.—

“(1) STATE EVALUATIONS.—Each eligible State shall submit to the Secretary, at such time and in such form and manner as the Secretary may require, information regarding the State’s efforts to increase payment rates and the impact increased rates are having on the quality of, and accessibility to, child care in the State.

“(2) REPORTS TO CONGRESS.—The Secretary shall submit biennial reports to Congress on the information described in paragraph (1). Such reports shall include data from the applications submitted under subsection (b)(2) as a baseline for determining the progress of each eligible State in maintaining increased payment rates.

“(f) PAYMENT RATE.—In this section, the term ‘payment rate’ means the rate of reimbursement to providers for subsidized child care.”.

(6) ADMINISTRATION, ENFORCEMENT, AND EVALUATION.—Section 658I of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858g) is amended—

(A) in the heading by striking “AND ENFORCEMENT” and inserting “, ENFORCEMENT, AND EVALUATION”;

(B) in subsection (a)(3) by inserting before the period at the end “and including the establishment of a national training and technical assistance center specializing in infant and toddler care and their families”; and

(C) by adding at the end the following:

“(c) FEDERAL ADMINISTRATION AND EVALUATION ACTIVITIES.—The Secretary shall—

“(1) establish a national data system through grants, contracts or cooperative agreements to develop statistics on the supply of, demand for, and quality of child care, early education, and non-school-hours programs, including use of data collected through child care resource and referral organizations at the national, State, and local levels; and

“(2) prepare and submit to Congress an annual report on the supply of, demand for, and quality of child care, early education, and non-school-hours programs, using data collected through State and local child care resource and referral organizations and other sources.”.

(7) REPORTS.—Section 658K(a) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858i(a)) is amended—

- (A) in paragraph (1)(B)—
 - (i) in clause (ix) by striking “and” at the end;
 - (ii) in clause (x) by adding “and” at the end; and
 - (iii) by inserting after clause (x) the following:
 - “(xi) whether the child care provider is accredited by a national or State accrediting body;”; and
 - (B) in paragraph (2)—
 - (i) in the matter preceding subparagraph (A) by striking “aggregate data concerning”;
 - (ii) in subparagraph (D) by striking “and” at the end;
 - (iii) in subparagraph (E) by adding “and” at the end; and
 - (iv) by indenting the left margin of subparagraphs (A) through (E) 2 ems to the right and redesignating such subparagraphs as clauses (i) through (v), respectively;
 - (v) by inserting after clause (v), as so redesignated, the following:
 - “(vi) findings from market rate surveys, disaggregated by the types of services provided and by the sub-State localities, as appropriate;”; and
 - (vi) by inserting before clause (i), as so redesignated, the following:
 - “(A) information on how all of the funds reserved under section 658G were allocated and spent, and information on the effect of those expenditures, to the maximum extent practicable; and
 - “(B) aggregate data concerning—”.
- (8) DEFINITIONS.—Section 658P(4)(C) of the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858n(4)(C)) is amended—
- (A) in clause (i) by striking “or” at the end;
 - (B) in clause (ii) by striking the period and inserting “; or”; and
 - (C) by adding at the end the following:
 - “(iii) is a foster child.”.
- (9) CONFORMING AMENDMENTS.—The Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.) is amended—
- (A) in section 658E(c)(3)—
 - (i) in subparagraph (B) by striking “through (5) of section 658A(b)” and inserting “through (6) of section 658A(c)”; and
 - (ii) in subparagraph (D) by striking “1997 through 2002” and inserting “2003 through 2007”;
 - (B) in section 658K(a)(2) by striking “1997” and inserting “2003”; and
 - (C) in section 658L—
 - (i) by striking “July 31, 1998” and inserting “October 1, 2004”; and
 - (ii) by striking “Economic and Educational Opportunities” and inserting “Education and the Workforce”; and

(iii) by striking “Labor and Human Resources” and inserting “Health, Education, Labor, and Pensions”.

(c) **APPLICABILITY OF STATE OR LOCAL HEALTH AND SAFETY STANDARDS TO OTHER TANF CHILD CARE SPENDING.**—Section 402(a) (42 U.S.C. 602(a)) is amended by adding at the end the following:

“(8) **CERTIFICATION OF PROCEDURES TO ENSURE THAT CHILD CARE PROVIDERS COMPLY WITH APPLICABLE STATE OR LOCAL HEALTH AND SAFETY STANDARDS.**—A certification by the chief executive officer of the State that procedures are in effect to ensure that any child care provider in the State that provides services for which assistance is provided under the State program funded under this part complies with all applicable State or local health and safety requirements as described in section 658E(c)(2)(F) of the Child Care and Development Block Grant Act of 1990.”.

(d) **AVAILABILITY OF CHILD CARE FOR PARENTS REQUIRED TO WORK.**—Section 407(e)(2) (42 U.S.C. 607(e)(2)) is amended by striking “6” and inserting “13”.

SEC. 303. COMPETITIVE GRANTS TO IMPROVE ACCESS TO VARIOUS BENEFIT PROGRAMS.

(a) **PURPOSES.**—The purposes of this section are to—

(1) inform low-income families with children about programs available to families leaving welfare and other programs to support low-income families with children;

(2) provide incentives to States and counties to improve and coordinate application and renewal procedures for low-income family with children support programs; and

(3) track the extent to which low-income families with children receive the benefits and services for which they are eligible.

(b) **DEFINITIONS.**—In this section:

(1) **LOCALITY.**—The term locality means a municipality that does not administer a temporary assistance for needy families program funded under part A of title IV of the Social Security Act (42 U.S.C. 601 et seq.) (in this section referred to as “TANF”).

(2) **LOW-INCOME FAMILY WITH CHILDREN SUPPORT PROGRAM.**—The term “low-income family with children support program” means a program designed to provide low-income families with assistance or benefits to enable the family to become self-sufficient and includes—

(A) TANF;

(B) the food stamp program established under the Food Stamp Act of 1977 (7 U.S.C. 2011 et seq.) (in this section referred to as “food stamps”);

(C) the medicaid program funded under title XIX of the Social Security Act (42 U.S.C. 1396 et seq.);

(D) the State children’s health insurance program (SCHIP) funded under title XXI of the Social Security Act (42 U.S.C. 1397aa et seq.);

(E) the child care program funded under the Child Care Development Block Grant Act of 1990 (42 U.S.C. 9858 et seq.);

(F) the child support program funded under part D of title IV of the Social Security Act (42 U.S.C. 651 et seq.);

(G) the earned income tax credit under section 32 of the Internal Revenue Code of 1986;

(H) the low-income home energy assistance program (LIHEAP) established under the Low-Income Home Energy Assistance Act of 1981 (42 U.S.C. 8621 et seq.);

(I) the special supplemental nutrition program for women, infants, and children (WIC) established under section 17 of the Child Nutrition Act of 1966 (42 U.S.C. 1786);

(J) programs under the Workforce Investment Act of 1998 (29 U.S.C. 2801 et seq.); and

(K) any other Federal or State funded program designed to provide family and work support to low-income families with children.

(3) NONPROFIT.—The term “nonprofit”, as applied to a school, agency, organization, or institution means a school, agency, organization, or institution owned and operated by 1 or more nonprofit corporations or associations, no part of the net earnings of which inures, or may lawfully inure, to the benefit of any private shareholder or individual.

(4) SECRETARY.—The term “Secretary” means the Secretary of Health and Human Services.

(5) STATE.—The term “State” means each of the several States of the United States, the District of Columbia, the Commonwealth of Puerto Rico, American Samoa, Guam, and the United States Virgin Islands.

(c) AUTHORIZATION OF GRANTS.—

(1) STATES AND COUNTIES.—

(A) IN GENERAL.—The Secretary is authorized to award grants to States and counties to pay the Federal share of the costs involved in improving the administration of low-income family with children support programs, including simplifying application, recertification, reporting, and verification rules, and promoting participation in such programs.

(B) FEDERAL SHARE.—The Federal share shall be 80 percent.

(2) NONPROFITS AND LOCALITIES.—The Secretary is authorized to award grants to nonprofits and localities to promote participation in low-income family with children support programs, and distribute information about and develop service centers for low-income family with children support programs.

(d) GRANT APPROVAL CRITERIA.—

(1) IN GENERAL.—The Secretary, in consultation with the Secretary of Agriculture, shall establish criteria for approval of an application for a grant under this section that include consideration of—

(A) the extent to which the proposal, if funded, is likely to result in improved service and higher participation rates in low-income children’s support programs;

(B) an applicant’s ability to reach hard-to-serve populations;

(C) the level of innovation in the applicant’s grant proposal; and

- (D) any partnerships between the public and private sector in the applicant's grant proposal.
- (2) SEPARATE CRITERIA.—Separate criteria shall be established for the grants authorized under paragraphs (1) and (2) of subsection (c).
- (e) USES OF FUNDS.—
 - (1) STATES AND COUNTIES.—
 - (A) IMPROVEMENTS IN PROGRAMS.—Grants awarded to States and counties under subsection (c)(1) shall be used to—
 - (i) simplify low-income family with children support program application, recertification, reporting, and verification rules;
 - (ii) create uniformity in eligibility criteria for low-income family with children support programs;
 - (iii) develop options for families to apply for low-income family with children support programs through the telephone, mail, facsimile, Internet, or electronic mail, and submit any recertifications or reports required for such families through these options;
 - (iv) co-locate eligibility workers for various low-income family with children support programs at strategically located sites;
 - (v) develop or enhance one-stop service centers for low-income family with children support programs, including establishing evening and weekend hours at these centers; and
 - (vi) improve training of staff in low-income families with children support programs to enhance their ability to enroll eligible applicants in low-income family with children support programs, provide case management, and refer eligible applicants to other appropriate programs.
 - (B) CUSTOMER SURVEYS.—
 - (i) IN GENERAL.—A grant awarded to a State or county under subsection (c)(1) shall be used to carry out a customer survey.
 - (ii) MODEL SURVEYS.—The customer survey under clause (i) of this subparagraph shall be modeled after a form developed by the Secretary under subsection (g).
 - (iii) REPORTS TO SECRETARY.—Not later than 1 year after a State or county is awarded a grant under subsection (c)(1), and annually thereafter, the State or county shall submit a report to the Secretary detailing the results of the customer survey carried out under clause (i) of this subparagraph.
 - (iv) REPORTS TO PUBLIC.—A State or county receiving a grant under subsection (c)(1) and the Secretary shall make the report required under clause (iii) of this subparagraph available to the public.
 - (v) PUBLIC COMMENT.—A State or county receiving a grant under subsection (c)(1) shall accept public comments and hold public hearings on the report made available under clause (iv) of this subparagraph.

(C) TRACKING SYSTEMS.—

(i) IN GENERAL.—A grant awarded to a State or county under subsection (c)(1) shall be used to implement a tracking system to determine the level of participation in low-income family with children support programs of the eligible population.

(ii) REPORTS.—Not later than 1 year after a State or county is awarded a grant under subsection (c)(1), and annually thereafter, the State or county shall submit a report to the Secretary detailing the effectiveness of the tracking system implemented under clause (i) of this subparagraph.

(D) IN-PERSON INTERVIEWS.—A State or county awarded a grant under subsection (c)(1) may expend funds made available under the grant to provide for reporting and recertification procedures through the telephone, mail, facsimile, Internet, or electronic mail.

(E) JURISDICTION-WIDE IMPLEMENTATION.—

(i) IN GENERAL.—A grant awarded to a State or county under subsection (c)(1) shall be used for activities throughout the jurisdiction.

(ii) EXCEPTION.—A State or county awarded a grant under subsection (c)(1) may use grant funds to develop one-stop service centers and telephone, mail, facsimile, Internet, or electronic mail application and renewal procedures for low-income family with children support programs without regard to the requirements of clause (i) of this subparagraph.

(F) SUPPLEMENT NOT SUPPLANT.—Funds provided to a State or county under a grant awarded under subsection (c)(1) shall be used to supplement and not supplant other State or county public funds expended to provide support services for low-income families.

(2) NONPROFITS AND LOCALITIES.—A grant awarded to a non-profit or locality under subsection (c)(2) shall be used to—

(A) develop one-stop service centers for low-income family with children support programs in cooperation with States and counties; or

(B) provide information about and referrals to low-income family with children support programs through the dissemination of materials at strategic locations, including schools, clinics, and shopping locations.

(f) APPLICATION.—

(1) IN GENERAL.—Each applicant desiring a grant under paragraph (1) or (2) of subsection (c) shall submit an application to the Secretary at such time, in such manner, and accompanied by such information as the Secretary may reasonably require.

(2) STATES AND COUNTIES.—

(A) NON-FEDERAL SHARE.—Each State or county applicant shall provide assurances that the applicant will pay the non-Federal share of the activities for which a grant is sought.

(B) PARTNERSHIPS.—Each State or county applicant shall submit a memorandum of understanding demonstrating

that the applicant has entered into a partnership to coordinate its efforts under the grant with the efforts of other State and county agencies that have responsibility for providing low-income families with assistance or benefits.

(g) DUTIES OF THE SECRETARY.—

(1) SURVEY FORM.—The Secretary, in cooperation with other relevant agencies, shall develop a customer survey form to determine whether low-income families—

(A) encounter any impediments in applying for or renewing their participation in low-income family with children support programs; and

(B) are unaware of low-income family with children support programs for which they are eligible.

(2) REPORTS.—

(A) ANNUAL REPORTS.—Not later than 1 year after the date of enactment of this Act, and annually thereafter, the Secretary shall submit a report to Congress describing the uses of grant funds awarded under this section.

(B) RESULTS OF TRACKING SYSTEMS AND SURVEYS.—The Secretary shall submit a report to Congress detailing the results of the tracking systems implemented and customer surveys carried out by States and counties under subsection (e) as the information becomes available.

(h) MISCELLANEOUS.—

(1) MATCHING FUNDS.—Matching funds required from a State or county awarded a grant under subsection (c)(1) of this section may—

(A) include in-kind services and expenditures by municipalities and private entities; and

(B) be considered a qualified State expenditure for purposes of determining whether the State has satisfied the maintenance of effort requirements of the temporary assistance for needy families program under section 409(a)(7) of the Social Security Act (42 U.S.C. 609(a)(7)).

(2) LIMITATION ON EXPENDITURES.—Subject to paragraph (3) of this subsection, not more than 20 percent of a grant awarded under subsection (c) shall be expended on customer surveys or tracking systems.

(3) REVERSION OF FUNDS.—Any funds not expended by a grantee within 2 years after awarded a grant shall be available for redistribution among other grantees in such manner and amount as the Secretary may determine, unless the Secretary extends by regulation the 2-year time period to expend funds.

(4) NONAPPORTIONMENT.—Notwithstanding any other provision of law, a State, county, locality, or nonprofit awarded a grant under subsection (c) is not required to apportion the costs of providing information about low-income family with children support programs among all low-income family with children support programs.

(5) ADMINISTRATIVE COSTS OF THE SECRETARY.—Not more than 5 percent of the funds appropriated to carry out this section shall be expended on administrative costs of the Secretary.

(i) AUTHORIZATION OF APPROPRIATIONS.—There is authorized to be appropriated to carry out this section \$500,000,000 for the period of fiscal years 2003 through 2007.

SEC. 304. ASSESSMENTS FOR TANF RECIPIENTS.

Section 408(b) (42 U.S.C. 608(b)) is amended—

(1) by striking paragraph (1) and inserting the following:

“(1) ASSESSMENT.—The State agency responsible for administering the State program funded under this part shall, for each recipient of assistance under the program who is a head of household, make an initial assessment of the skills, prior work experience, and circumstances related to the employability of the recipient, including physical or mental impairments, proficiency in English, child care needs, and whether the recipient is a victim of domestic violence.”;

(2) in paragraph (2)(A), by striking “may develop” and inserting “shall develop”; and

(3) by striking paragraph (4).

SEC. 305. APPLICABILITY OF WORKPLACE LAWS.

Section 408 (42 U.S.C. 608) is amended by adding at the end the following:

“(h) No individual engaged in any activity funded in whole or in part by the TANF program shall be subjected to discrimination based on race, color, religion, sex, national origin, age, or disability, nor shall such an individual be denied the benefits or protections of any Federal, State or local employment, civil rights, or health and safety law because of such individual’s status as a participant in the TANF program.”.

SEC. 306. WORK PARTICIPATION REQUIREMENTS.

Section 407(a)(1) (42 U.S.C. 607(a)), as amended by section 503 of this Act, is amended to read as follows:

“(1) IN GENERAL.—A State to which a grant is made under section 403 for a fiscal year shall achieve a minimum participation rate equal to not less than—

“(A) 50 percent for fiscal year 2003;

“(B) 55 percent for fiscal year 2004;

“(C) 60 percent for fiscal year 2005;

“(D) 65 percent for fiscal year 2006; and

“(E) 70 percent for fiscal year 2007 and each succeeding fiscal year.”.

SEC. 307. HOURS OF WORK-RELATED ACTIVITIES.

Section 407(c)(1)(A) (42 U.S.C. 607(c)(1)(A)) is amended by striking “20” and inserting “24”.

SEC. 308. STATE OPTION TO REQUIRE RECIPIENTS TO ENGAGE IN WORK FOR 40 HOURS PER WEEK.

Section 407(c)(1)(A) (42 U.S.C. 607(c)(1)(A)) is amended by adding at the end the following flush sentence:

“At the option of a State, the State may require, a recipient not referred to in paragraph (2)(B) to engage in work for an average of 40 hours per week in each month in a particular fiscal year.”.

SEC. 309. REVISION AND SIMPLIFICATION OF THE TRANSITIONAL MEDICAL ASSISTANCE PROGRAM (TMA).

(a) OPTION OF CONTINUOUS ELIGIBILITY FOR 12 MONTHS; OPTION OF CONTINUING COVERAGE FOR UP TO AN ADDITIONAL YEAR.—

(1) OPTION OF CONTINUOUS ELIGIBILITY FOR 12 MONTHS BY MAKING REPORTING REQUIREMENTS OPTIONAL.—Section 1925(b) (42 U.S.C. 1396r-6(b)) is amended—

(A) in paragraph (1), by inserting “, at the option of a State,” after “and which”;

(B) in paragraph (2)(A), by inserting “Subject to subparagraph (C)—” after “(A) NOTICES.—”;

(C) in paragraph (2)(B), by inserting “Subject to subparagraph (C)—” after “(B) REPORTING REQUIREMENTS.—”;

(D) by adding at the end the following new subparagraph:

“(C) STATE OPTION TO WAIVE NOTICE AND REPORTING REQUIREMENTS.—A State may waive some or all of the reporting requirements under clauses (i) and (ii) of subparagraph (B). Insofar as it waives such a reporting requirement, the State need not provide for a notice under subparagraph (A) relating to such requirement.”; and

(E) in paragraph (3)(A)(iii), by inserting “the State has not waived under paragraph (2)(C) the reporting requirement with respect to such month under paragraph (2)(B) and if” after “6-month period if”.

(2) STATE OPTION TO EXTEND ELIGIBILITY FOR LOW-INCOME INDIVIDUALS FOR UP TO 12 ADDITIONAL MONTHS.—Section 1925 (42 U.S.C. 1396r–6) is further amended—

(A) by redesignating subsections (c) through (f) as subsections (d) through (g); and

(B) by inserting after subsection (b) the following new subsection:

“(c) STATE OPTION OF UP TO 12 MONTHS OF ADDITIONAL ELIGIBILITY.—

“(1) IN GENERAL.—Notwithstanding any other provision of this title, each State plan approved under this title may provide, at the option of the State, that the State shall offer to each family which received assistance during the entire 6-month period under subsection (b) and which meets the applicable requirement of paragraph (2), in the last month of the period the option of extending coverage under this subsection for the succeeding period not to exceed 12 months.

“(2) INCOME RESTRICTION.—The option under paragraph (1) shall not be made available to a family for a succeeding period unless the State determines that the family’s average gross monthly earnings (less such costs for such child care as is necessary for the employment of the caretaker relative) as of the end of the 6-month period under subsection (b) does not exceed 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.

“(3) APPLICATION OF EXTENSION RULES.—The provisions of paragraphs (2), (3), (4), and (5) of subsection (b) shall apply to the extension provided under this subsection in the same manner as they apply to the extension provided under subsection (b)(1), except that for purposes of this subsection—

“(A) any reference to a 6-month period under subsection (b)(1) is deemed a reference to the extension period provided under paragraph (1) and any deadlines for any notices or reporting and the premium payment periods shall

be modified to correspond to the appropriate calendar quarters of coverage provided under this subsection; and

“(B) any reference to a provision of subsection (a) or (b) is deemed a reference to the corresponding provision of subsection (b) or of this subsection, respectively.”.

(b) STATE OPTION TO WAIVE RECEIPT OF MEDICAID FOR 3 OF PREVIOUS 6 MONTHS TO QUALIFY FOR TMA.—Section 1925(a)(1) (42 U.S.C. 1396r–6(a)(1)) is amended by adding at the end the following: “A State may, at its option, also apply the previous sentence in the case of a family that was receiving such aid for fewer than 3 months, or that had applied for and was eligible for such aid for fewer than 3 months, during the 6 immediately preceding months described in such sentence.”

(c) ELIMINATION OF SUNSET FOR TMA.—

(1) Subsection (g) of section 1925 (42 U.S.C. 1396r–6), as redesignated under subsection (a)(2), is repealed.

(2) Section 1902(e)(1) of such Act (42 U.S.C. 1396a(e)(1)) is amended by striking “(A) Notwithstanding” and all that follows through “During such period, for” in subparagraph (B) and inserting “For”.

(d) CMS REPORT ON ENROLLMENT AND PARTICIPATION RATES UNDER TMA.—Section 1925, as amended by subsections (a)(2) and (c), is amended by adding at the end the following new subsection:

“(g) ADDITIONAL PROVISIONS.—

“(1) COLLECTION AND REPORTING OF PARTICIPATION INFORMATION.—Each State shall—

“(A) collect and submit to the Secretary, in a format specified by the Secretary, information on average monthly enrollment and average monthly participation rates for adults and children under this section; and

“(B) make such information publicly available.

Such information shall be submitted under subparagraph (A) at the same time and frequency in which other enrollment information under this title is submitted to the Secretary. Using such information, the Secretary shall submit to Congress annual reports concerning such rates.”.

(e) COORDINATION OF WORK.—Section 1925(g), as added by subsection (d), is amended by adding at the end the following new paragraph:

“(2) COORDINATION WITH ADMINISTRATION FOR CHILDREN AND FAMILIES.—The Administrator of the Centers for Medicare & Medicaid Services, in carrying out this section, shall work with the Assistant Secretary for the Administration for Children and Families to develop guidance or other technical assistance for States regarding best practices in guaranteeing access to transitional medical assistance under this section.”.

(f) ELIMINATION OF TMA REQUIREMENT FOR STATES THAT EXTEND COVERAGE TO CHILDREN AND PARENTS THROUGH 185 PERCENT OF POVERTY.—

(1) IN GENERAL.—Section 1925 is further amended by adding at the end the following new subsection:

“(h) PROVISIONS OPTIONAL FOR STATES THAT EXTEND COVERAGE TO CHILDREN AND PARENTS THROUGH 185 PERCENT OF POVERTY.—A State may (but is not required to) meet the requirements of subsections (a) and (b) if it provides for medical assistance under this

title (whether under section 1931, through a waiver under section 1115, or otherwise) to families (including both children and caretaker relatives) the average gross monthly earning of which (less such costs for such child care as is necessary for the employment of a caretaker relative) is at or below a level that is at least 185 percent of the official poverty line (as defined by the Office of Management and Budget, and revised annually in accordance with section 673(2) of the Omnibus Budget Reconciliation Act of 1981) applicable to a family of the size involved.”.

(2) CONFORMING AMENDMENTS.—Such section is further amended, in subsections (a)(1) and (b)(1), by inserting “, but subject to subsection (h),” after “Notwithstanding any other provision of this title,” each place it appears.

(g) REQUIREMENT OF NOTICE FOR ALL FAMILIES LOSING TANF.—Subsection (a)(2) of such section is amended by adding after and below subparagraph (B), the following:

“Each State shall provide, to families whose aid under part A or E of title IV has terminated but whose eligibility for medical assistance under this title continues, written notice of their ongoing eligibility for such medical assistance. If a State makes a determination that any member of a family whose aid under part A or E of title IV is being terminated is also no longer eligible for medical assistance under this title, the notice of such determination shall be supplemented by a one-page notification form describing the different ways in which individuals and families may qualify for such medical assistance and explaining that individuals and families do not have to be receiving aid under part A or E of title IV in order to qualify for such medical assistance.”.

(h) EXTENDING USE OF OUTSTATIONED WORKERS TO ACCEPT APPLICATIONS FOR TRANSITIONAL MEDICAL ASSISTANCE.—Section 1902(a)(55) (42 U.S.C. 1396a(a)(55)) is amended by inserting “and under section 1931” after “(a)(10)(A)(ii)(IX)”.

(i) EFFECTIVE DATES.—(1) Except as provided in this subsection, the amendments made by this section shall apply to calendar quarters beginning on or after October 1, 2001, without regard to whether or not final regulations to carry out such amendments have been promulgated by such date.

(2) The amendment made by subsection (g) shall take effect 6 months after the date of the enactment of this Act.

(3) In the case of a State plan for medical assistance under title XIX of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by this section, the State plan shall not be regarded as failing to comply with the requirements of such title solely on the basis of its failure to meet these additional requirements before the first day of the first calendar quarter beginning after the close of the first regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each year of such session shall be deemed to be a separate regular session of the State legislature.

SEC. 310. ENSURING TANF FUNDS ARE NOT USED TO DISPLACE PUBLIC EMPLOYEES.

(a) **WELFARE-TO-WORK WORKER PROTECTIONS.**—Section 403(a)(5)(I) (42 U.S.C. 603(a)(5)(I)) is amended—

- (1) by striking clauses (i) and (iv);
- (2) by redesignating clauses (v) and (vi) as clauses (iv) and (v), respectively; and
- (3) by inserting before clause (ii) the following:

“(i) **NONDISPLACEMENT.**—A State shall establish and maintain such procedures as are necessary to do the following with respect to activities funded in whole or in part under this part:

“(I) Prohibit the placement of an individual in a work activity specified in section 407(d) from resulting in the displacement of any employee or position (including partial displacement, such as a reduction in the hours of nonovertime work wages, or employment benefits, or fill any unfilled vacancy, or performing work when any other individual is on layoff from the same or any substantially equivalent job).

“(II) Prohibit the placement of an individual in a work activity specified in section 407(d) which would impair any contract for services, be inconsistent with any employment-related State or local law or regulation, or collective bargaining agreement, or infringe on the recall rights or promotional opportunities of any worker.

“(III) Maintain an impartial grievance procedure to resolve any complaints alleging violations of subclause (I) or (II) within 60 days after receipt of the complaint, and if a decision is adverse to the party who filed such a grievance or no decision has been reached, provided for the completion of an arbitration procedure within 75 days after receipt of the complaint or the adverse decision or conclusion of the 60-day period, whichever is earlier. The procedures shall include a right to a hearing. The procedures shall include remedies for violations of the requirement that shall include termination or suspension of payments, prohibition of the participant, reinstatement of an employee, and other appropriate relief. The procedures shall specify that if a direct work activity engaged in by a recipient of assistance under the State program funded under this part involves a placement in a State agency or local government agency pursuant to this section and the agency experiences a net reduction in its overall workforce in a given year, there is a rebuttable presumption that the placement has resulted in displacement of the employees of the agency in violation of this subparagraph.”.

(b) **STATE PLAN REQUIREMENT.**—Section 402(a) (42 U.S.C. 602(a)) is amended by adding at the end the following:

“(5) A plan that outlines the resources and procedures that will be used to ensure that the State will establish and maintain the procedures described in section 403(a)(5)(I)(i).”.

TITLE IV—HELPING WELFARE LEAVERS CLIMB THE EMPLOYMENT LADDER

SEC. 401. STATE PLAN REQUIREMENT ON EMPLOYMENT ADVANCEMENT.

(a) **IN GENERAL.**—Section 402(a)(1)(A) (42 U.S.C. 602(a)(1)(A)) is amended by adding at the end the following:

“(vii) Establish goals and take action to improve initial earnings, job advancement, and employment retention for individuals in and individuals leaving the program.”.

(b) **INCLUSION IN ANNUAL REPORTS OF PROGRESS IN ACHIEVING EMPLOYMENT ADVANCEMENT GOALS.**—Section 411(b) (42 U.S.C. 611(b)) is amended—

(1) by striking “and” at the end of paragraph (3);

(2) by striking the period at the end of paragraph (4) and inserting “; and”; and

(3) by adding at the end the following:

“(5) in each report submitted after fiscal year 2003, the progress made by the State in achieving the goals referred to in section 402(a)(1)(A)(vii) in the most recent State plan submitted pursuant to section 402(a).”.

SEC. 402. EMPLOYMENT ADVANCEMENT FUND.

Section 403(a) (42 U.S.C. 603(a)) is further amended by adding at the end the following:

“(8) **EMPLOYMENT ADVANCEMENT FUND.**—

“(A) **IN GENERAL.**—The Secretary shall provide grants to States and localities for research, evaluation, technical assistance, and demonstration projects that focus on—

“(i) improving wages for low-income workers, regardless of whether such workers are recipients of assistance under a State program funded under this part, through training and other services; and

“(ii) enhancing employment prospects for recipients of such assistance with barriers to employment, such as a physical or mental impairment, a substance abuse problem, or limited proficiency in English.

“(B) **ADMINISTRATION.**—

“(i) **ALLOCATION OF FUNDS.**—The Secretary shall allocate at least 40 percent of the funds made available pursuant to this paragraph for projects that focus on the matters described in subparagraph (A)(i), and at least 40 percent of the funds for projects that focus on the matters described in subparagraph (A)(ii).

“(ii) **DIVERSITY OF PROJECTS.**—The Secretary shall attempt to provide funds under this paragraph for diverse projects from geographically different areas.

“(C) **AID UNDER THIS PARAGRAPH NOT ‘ASSISTANCE’.**—A benefit or service provided with funds made available under this paragraph shall not, for any purpose, be consid-

ered assistance under a State program funded under this part.

“(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are appropriated for each of fiscal years 2003 through 2007 \$150,000,000 for grants under this paragraph.”.

SEC. 403. ELIMINATION OF LIMIT ON NUMBER OF TANF RECIPIENTS ENROLLED IN VOCATIONAL EDUCATION OR HIGH SCHOOL WHO MAY BE COUNTED TOWARDS THE WORK PARTICIPATION REQUIREMENT.

Section 407(c)(2) (42 U.S.C. 607(c)(2)) is amended by striking subparagraph (D).

SEC. 404. COUNTING OF UP TO 2 YEARS OF VOCATIONAL OR EDUCATIONAL TRAINING (INCLUDING POSTSECONDARY EDUCATION), WORK-STUDY, AND RELATED INTERNSHIPS AS WORK ACTIVITIES.

Section 407(d)(8) (42 U.S.C. 607(d)(8)) is amended to read as follows:

“(8) not more than 24 months of participation by an individual in—

“(A) vocational or educational training (including postsecondary education), at an eligible educational institution (as defined in section 404(h)(5)(A)) leading to attainment of a credential from the institution related to employment or a job skill;

“(B) a State or Federal work-study program under part C of title IV of the Higher Education Act of 1965 or an internship related to vocational or postsecondary education, supervised by an eligible educational institution (as defined in section 404(h)(5)(A)); or

“(C) a course of study leading to adult literacy, in which English is taught as a second language, or leading to a certificate of high school equivalency, if the State considers the activities important to improving the ability of the individual to find and maintain employment.”.

SEC. 405. LIMITED COUNTING OF CERTAIN ACTIVITIES LEADING TO EMPLOYMENT AS WORK ACTIVITY.

(a) IN GENERAL.—Section 407(d) (42 U.S.C. 607(d)) is amended—

(1) by striking “and” at the end of paragraph (11);

(2) by striking the period at the end of paragraph (12) and inserting “; and”; and

(3) by adding at the end the following:

“(13) Up to 6 months of participation (as determined by the State) in services designed to improve future employment opportunities, including substance abuse treatment services, services to address sexual or domestic violence, and physical rehabilitation and mental health services.”.

(b) CONFORMING AMENDMENT.—Section 407(c)(1) (42 U.S.C. 607(c)(1)) is amended by striking “and (12)” each place it appears and inserting “(12), and (13)”.

SEC. 406. CLARIFICATION OF AUTHORITY OF STATES TO USE TANF FUNDS CARRIED OVER FROM PRIOR YEARS TO PROVIDE TANF BENEFITS AND SERVICES.

Section 404(e) (42 U.S.C. 604(e)) is amended—

- (1) in the subsection heading, by striking “ASSISTANCE” and inserting “BENEFITS OR SERVICES”; and
- (2) after the heading, by striking “assistance” and inserting “any benefit or service that may be provided”.

SEC. 407. DEFINITION OF ASSISTANCE.

(a) IN GENERAL.—Section 419 (42 U.S.C. 619) is amended by adding at the end the following:

“(6) ASSISTANCE.—

“(A) IN GENERAL.—The term ‘assistance’ means payment, by cash, voucher, or other means, to or for an individual or family for the purpose of meeting a subsistence need of the individual or family (including food, clothing, shelter, and related items, but not including costs of transportation or child care).

“(B) EXCEPTION.—The term ‘assistance’ does not include a payment described in subparagraph (A) to or for an individual or family on a short-term, nonrecurring basis (as defined by the State).”.

(b) CONFORMING AMENDMENTS.—

(1) Section 404(a)(1) (42 U.S.C. 604(a)(1)) is amended by striking “assistance” and inserting “aid”.

(2) Section 404(f) (42 U.S.C. 604(f)) is amended by striking “assistance” and inserting “benefits or services”.

(3) Section 408(a)(5)(B)(i) (42 U.S.C. 608(a)(5)(B)(i)) is amended in the heading by striking “ASSISTANCE” and inserting “AID”.

TITLE V—PROMOTING FAMILY FORMATION AND RESPONSIBLE PARENTING

SEC. 501. FAMILY FORMATION FUND.

Section 403(a)(2) (42 U.S.C. 603(a)(2)) is amended to read as follows:

“(2) FAMILY FORMATION FUND.—

“(A) IN GENERAL.—The Secretary shall provide grants to States and localities for research, technical assistance, and demonstration projects to promote and fund best practices in the following areas:

“(i) Promoting the formation of 2-parent families.

“(ii) Reducing teenage pregnancies.

“(iii) Increasing the ability of noncustodial parents to financially support and be involved with their children.

“(B) ALLOCATION OF FUNDS.—In making grants under this paragraph, the Secretary shall ensure that not less than 30 percent of the funds made available pursuant to this paragraph for a fiscal year are used in each of the areas described in subparagraph (A).

“(C) CONSIDERATION OF DOMESTIC VIOLENCE IMPACT.—In making grants under this paragraph, the Secretary shall consider the potential impact of a project on the incidence of domestic violence.

“(D) APPROPRIATION.—Out of any money in the Treasury of the United States not otherwise appropriated, there are

appropriated for each of fiscal years 2003 through 2007 \$100,000,000 for grants under this paragraph.”.

SEC. 502. DISTRIBUTION OF CHILD SUPPORT COLLECTED BY STATES ON BEHALF OF CHILDREN RECEIVING CERTAIN WELFARE BENEFITS.

(a) **MODIFICATION OF RULE REQUIRING ASSIGNMENT OF SUPPORT RIGHTS AS A CONDITION OF RECEIVING TANF.**—Section 408(a)(3) (42 U.S.C. 608(a)(3)) is amended to read as follows:

“(3) **NO ASSISTANCE FOR FAMILIES NOT ASSIGNING CERTAIN SUPPORT RIGHTS TO THE STATE.**—A State to which a grant is made under section 403 shall require, as a condition of providing assistance to a family under the State program funded under this part, that a member of the family assign to the State any rights the family member may have (on behalf of the family member or of any other person for whom the family member has applied for or is receiving such assistance) to support from any other person, not exceeding the total amount of assistance paid to the family under the program, which accrues during the period that the family receives assistance under the program.”.

(b) **INCREASING CHILD SUPPORT PAYMENTS TO FAMILIES AND SIMPLIFYING CHILD SUPPORT DISTRIBUTION RULES.**—

(1) **DISTRIBUTION RULES.**—

(A) **IN GENERAL.**—Section 457(a) (42 U.S.C. 657(a)) is amended to read as follows:

“(a) **IN GENERAL.**—Subject to subsections (d) and (e), the amounts collected on behalf of a family as support by a State pursuant to a plan approved under this part shall be distributed as follows:

“(1) **FAMILIES RECEIVING ASSISTANCE.**—In the case of a family receiving assistance from the State, the State shall—

“(A) pay to the Federal Government the Federal share of the amount collected, subject to paragraph (3)(A);

“(B) retain, or pay to the family, the State share of the amount collected, subject to paragraph (3)(B); and

“(C) pay to the family any remaining amount.

“(2) **FAMILIES THAT FORMERLY RECEIVED ASSISTANCE.**—In the case of a family that formerly received assistance from the State:

“(A) **CURRENT SUPPORT.**—To the extent that the amount collected does not exceed the current support amount, the State shall pay the amount to the family.

“(B) **ARREARAGES.**—To the extent that the amount collected exceeds the current support amount, the State—

“(i) shall first pay to the family the excess amount, to the extent necessary to satisfy support arrearages not assigned pursuant to section 408(a)(3);

“(ii) if the amount collected exceeds the amount required to be paid to the family under clause (i), shall—

“(I) pay to the Federal Government, the Federal share of the excess amount described in this clause, subject to paragraph (3)(A); and

“(II) retain, or pay to the family, the State share of the excess amount described in this clause, subject to paragraph (3)(B); and

“(iii) shall pay to the family any remaining amount.

“(3) LIMITATIONS.—

“(A) FEDERAL REIMBURSEMENTS.—The total of the amounts paid by the State to the Federal Government under paragraphs (1) and (2) of this subsection with respect to a family shall not exceed the Federal share of the amount assigned with respect to the family pursuant to section 408(a)(3).

“(B) STATE REIMBURSEMENTS.—The total of the amounts retained by the State under paragraphs (1) and (2) of this subsection with respect to a family shall not exceed the State share of the amount assigned with respect to the family pursuant to section 408(a)(3).

“(4) FAMILIES THAT NEVER RECEIVED ASSISTANCE.—In the case of any other family, the State shall pay the amount collected to the family.

“(5) FAMILIES UNDER CERTAIN AGREEMENTS.—Notwithstanding paragraphs (1) through (4), in the case of an amount collected for a family in accordance with a cooperative agreement under section 454(33), the State shall distribute the amount collected pursuant to the terms of the agreement.

“(6) STATE FINANCING OPTIONS.—To the extent that the State share of the amount payable to a family for a month pursuant to paragraph (2)(B) of this subsection exceeds the amount that the State estimates (under procedures approved by the Secretary) would have been payable to the family for the month pursuant to former section 457(a)(2) (as in effect for the State immediately before the date this subsection first applies to the State) if such former section had remained in effect, the State may elect to use the grant made to the State under section 403(a) to pay the amount, or to have the payment considered a qualified State expenditure for purposes of section 409(a)(7), but not both.

“(7) STATE OPTION TO PASS THROUGH ADDITIONAL SUPPORT WITH FEDERAL FINANCIAL PARTICIPATION.—

“(A) IN GENERAL.—Notwithstanding paragraphs (1) and (2), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that is not a recipient of assistance under the State program funded under part A, to the extent that the State pays the amount to the family and disregards the payment for purposes of paying benefits under the State program funded under part A.

“(B) RECIPIENTS OF TANF FOR LESS THAN 5 YEARS.—Notwithstanding paragraphs (1) and (2), a State shall not be required to pay to the Federal Government the Federal share of an amount collected on behalf of a family that is a recipient of assistance under the State program funded under part A and that has received the assistance for not more than 5 years after the date of the enactment of this paragraph, to the extent that the State pays the amount to the family.”

(B) APPROVAL OF ESTIMATION PROCEDURES.—Not later than October 1, 2002, the Secretary of Health and Human Services, in consultation with the States (as defined for purposes of part D of title IV of the Social Security Act),

- shall establish the procedures to be used to make the estimate described in section 457(a)(6) of such Act.
- (2) CURRENT SUPPORT AMOUNT DEFINED.—Section 457(c) (42 U.S.C. 657(c)) is amended by adding at the end the following:
- “(5) CURRENT SUPPORT AMOUNT.—The term ‘current support amount’ means, with respect to amounts collected as support on behalf of a family, the amount designated as the monthly support obligation of the noncustodial parent in the order requiring the support.”.
- (c) BAN ON RECOVERY OF MEDICAID COSTS FOR CERTAIN BIRTHS.—Section 454 (42 U.S.C. 654) is amended—
- (1) by striking “and” at the end of paragraph (32);
 - (2) by striking the period at the end of paragraph (33) and inserting “; and”; and
 - (3) by inserting after paragraph (33) the following:

“(34) provide that the State shall not use the State program operated under this part to collect any amount owed to the State by reason of costs incurred under the State plan approved under title XIX for the birth of a child for whom support rights have been assigned pursuant to section 408(a)(3), 471(a)(17), or 1912.”.
- (d) STATE OPTION TO DISCONTINUE CERTAIN SUPPORT ASSIGNMENTS.—Section 457(b) (42 U.S.C. 657(b)) is amended by striking “shall” and inserting “may”.
- (e) CONFORMING AMENDMENTS.—
- (1) Section 409(a)(7)(B)(i)(I)(aa) (42 U.S.C. 609(a)(7)(B)(i)(I)(aa)) is amended by striking “457(a)(1)(B)” and inserting “457(a)(1)”.
 - (2) Section 404(a) (42 U.S.C. 604(a)) is amended—
 - (A) by striking “or” at the end of paragraph (1);
 - (B) by striking the period at the end of paragraph (2) and inserting “; or”; and
 - (C) by adding at the end the following:

“(3) to fund payment of an amount pursuant to clause (i) or (ii) of section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to use the grant to fund the payment.”.
 - (3) Section 409(a)(7)(B)(i) (42 U.S.C. 609(a)(7)(B)(i)) is amended by adding at the end the following:

“(V) PORTIONS OF CERTAIN CHILD SUPPORT PAYMENTS COLLECTED ON BEHALF OF AND DISTRIBUTED TO FAMILIES NO LONGER RECEIVING ASSISTANCE.—Any amount paid by a State pursuant to clause (i) or (ii) of section 457(a)(2)(B), but only to the extent that the State properly elects under section 457(a)(6) to have the payment considered a qualified State expenditure.”.
- (f) EFFECTIVE DATE.—
- (1) IN GENERAL.—Except as provided in paragraph (2) of this subsection and section 901(b) of this Act, the amendments made by this section shall take effect on October 1, 2006, and shall apply to payments under parts A and D of title IV of the Social Security Act for calendar quarters beginning on or after such date, without regard to whether regulations to implement the amendments are promulgated by such date.

(2) STATE OPTION TO ACCELERATE EFFECTIVE DATE.—A State may elect to have the amendments made by this section apply to the State and to amounts collected by the State, on and after such date as the State may select that is after the date of the enactment of this Act and before the effective date provided in paragraph (1).

SEC. 503. ELIMINATION OF SEPARATE WORK PARTICIPATION RATE FOR 2-PARENT FAMILIES.

Section 407 (42 U.S.C. 607) is amended—

- (1) in subsection (a), by striking paragraph (2); and
- (2) in subsection (b)—
 - (A) by striking paragraphs (2) and (3);
 - (B) in paragraph (4), by striking “paragraphs (1)(B) and (2)(B)” and inserting “paragraph (1)(B)”; and
 - (C) in paragraph (5), by striking “rates” and inserting “rate”; and
 - (D) by redesignating paragraphs (4) and (5) as paragraphs (2) and (3), respectively.

SEC. 504. BAN ON IMPOSITION OF STRICTER ELIGIBILITY CRITERIA FOR 2-PARENT FAMILIES; STATE OPT-OUT.

(a) PROHIBITION.—Section 408(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

“(13) BAN ON IMPOSITION OF STRICTER ELIGIBILITY CRITERIA FOR 2-PARENT FAMILIES.—

“(A) IN GENERAL.—In determining the eligibility of a 2-parent family for assistance under a State program funded under this part, the State shall not impose a requirement that does not apply in determining the eligibility of a 1-parent family for such assistance.

“(B) STATE OPT-OUT.—Subparagraph (A) shall not apply to a State if the State legislature, by law, has elected to make subparagraph (A) inapplicable to the State.”.

(b) PENALTY.—Section 409(a) (42 U.S.C. 609(a)) is further amended by adding at the end the following:

“(16) PENALTY FOR IMPOSITION OF STRICTER ELIGIBILITY CRITERIA FOR 2-PARENT FAMILIES.—

“(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(13) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 5 percent of the State family assistance grant.

“(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of non-compliance.”.

SEC. 505. EXTENSION OF ABSTINENCE EDUCATION FUNDING UNDER MATERNAL AND CHILD HEALTH PROGRAM.

(a) IN GENERAL.—Section 510(d) (42 U.S.C. 710(d)) is amended by striking “2002” and inserting “2007”.

(b) PURPOSE OF ALLOTMENTS.—For each of the fiscal years 2003 through 2007, section 510(b)(1) of the Social Security Act is deemed to read as follows: “(1) The purpose of an allotment under sub-

section (a) to a State is to enable the State to provide abstinence education, and at the option of the State—

“(A) programs that the State defines as an appropriate approach to abstinence education that educates those who are currently sexually active or at risk of sexual activity about methods to reduce unintended pregnancy or other health risks; and

“(B) where appropriate, mentoring, counseling, and adult supervision to promote abstinence from sexual activity, with a focus on those groups which are most likely to bear children out-of-wedlock.”.

(c) MEDICALLY AND SCIENTIFICALLY ACCURATE INFORMATION.—For each of the fiscal years 2003 through 2007, there is deemed to appear in the matter preceding subparagraph (A) of section 510(b)(2) of such Act the phrase “a medically and scientifically accurate educational” in lieu of the phrase “an educational”, and there is deemed to appear after and below subparagraph (H) of such section the following:

“For purposes of this section, the term ‘medically accurate’, with respect to information, means information that is supported by research, recognized as accurate and objective by leading medical, psychological, psychiatric, and public health organizations and agencies, and where relevant, published in peer review journals.”.

(d) EFFECTIVE MODELS FOR PROGRAMS.—For each of the fiscal years 2003 through 2007, section 510 of such Act is deemed to have at the end the following subsection:

“(e)(1) None of the funds appropriated in this section shall be expended for a program unless the program is based on a model that has been demonstrated to be effective in reducing unwanted pregnancy, or in reducing the transmission of a sexually transmitted disease or the human immunodeficiency virus.

“(2) The requirement of paragraph (1) shall not apply to programs that have been approved and funded under this section on or before April 19, 2002.”.

(e) COMPARATIVE EVALUATION OF ABSTINENCE EDUCATION PROGRAMS.—

(1) STUDY.—The Secretary of Health and Human Services (referred to in this subsection as the “Secretary”) shall, in consultation with an advisory panel of researchers identified by the Board on Children Youth and Families of the National Academy of Sciences, conduct an experimental study directly or through contract or interagency agreement which assesses the relative efficacy of two approaches to abstinence education for adolescents. The study design should enable a comparison of the efficacy of an abstinence program which precludes education about contraception with a similar abstinence program which includes education about contraception. Key outcomes that should be measured in the study include rates of sexual activity, pregnancy, birth, and sexually transmitted diseases.

(2) REPORT.—Not later than 5 years after the date of the enactment of this Act, the Secretary shall submit a report to Congress the available findings regarding the comparative analysis.

(3) FUNDING.—For the purpose of carrying out this subsection, there are authorized to be appropriated such sums as

may be necessary for each of the fiscal years 2003 through 2007.

TITLE VI—RESTORING FAIRNESS FOR IMMIGRANT FAMILIES

SEC. 601. TREATMENT OF ALIENS UNDER THE TANF PROGRAM.

(a) **EXCEPTION TO 5-YEAR BAN FOR QUALIFIED ALIENS.**—Section 403(c)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1613(c)(2)) is amended by adding at the end the following:

“(L) Benefits under the Temporary Assistance for Needy Families program described in section 402(b)(3)(A).”.

(b) **BENEFITS NOT SUBJECT TO REIMBURSEMENT.**—Section 423(d) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1138a note) is amended by adding at the end the following:

“(12) Benefits under part A of title IV of the Social Security Act except for cash assistance provided to a sponsored alien who is subject to deeming pursuant to section 408(h) of the Social Security Act.”.

(c) **TREATMENT OF ALIENS.**—Section 408 (42 U.S.C. 608) is amended by adding at the end the following:

“(h) **SPECIAL RULES RELATING TO THE TREATMENT OF 213A ALIENS.**—

“(1) **IN GENERAL.**—In determining whether a 213A alien is eligible for cash assistance under a State program funded under this part, and in determining the amount or types of such assistance to be provided to the alien, the State shall apply the rules of paragraphs (1), (2), (3), (5), and (6) of subsection (f) of this section by substituting ‘213A’ for ‘non-213A’ each place it appears, subject to section 421(e) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, and subject to section 421(f) of such Act (which shall be applied by substituting ‘section 408(h) of the Social Security Act’ for ‘subsection (a)’).

“(2) **213A ALIEN DEFINED.**—An alien is a 213A alien for purposes of this subsection if the affidavit of support or similar agreement with respect to the alien that was executed by the sponsor of the alien’s entry into the United States was executed pursuant to section 213A of the Immigration and Nationality Act.”.

(d) **EFFECTIVE DATE AND APPLICABILITY.**—

(1) **EFFECTIVE DATE.**—The amendments made by this section shall take effect October 1, 2002.

(2) **APPLICABILITY.**—The amendments made by this section shall apply to benefits provided on or after the effective date of this section.

SEC. 602. OPTIONAL COVERAGE OF LEGAL IMMIGRANTS UNDER THE MEDICAID PROGRAM AND SCHIP.

(a) **MEDICAID PROGRAM.**—Section 1903(v) (42 U.S.C. 1396b(v)) is amended—

(1) in paragraph (1), by striking “paragraph (2)” and inserting “paragraphs (2) and (4)”; and

(2) by adding at the end the following new paragraph:

“(4)(A) A State may elect (in a plan amendment under this title) to provide medical assistance under this title, notwithstanding sections 401(a), 402(b), 403, and 421 of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, for aliens who are lawfully residing in the United States (including battered aliens described in section 431(c) of such Act) and who are otherwise eligible for such assistance, within either or both of the following eligibility categories:

“(i) PREGNANT WOMEN.—Women during pregnancy (and during the 60-day period beginning on the last day of the pregnancy).

“(ii) CHILDREN.—Children (as defined under such plan), including optional targeted low-income children described in section 1905(u)(2)(B).

“(B) In the case of a State that has elected to provide medical assistance to a category of aliens under subparagraph (A), no debt shall accrue under an affidavit of support against any sponsor of such an alien on the basis of provision of assistance to such category and the cost of such assistance shall not be considered as an unreimbursed cost.”.

(b) SCHIP.—Section 2107(e)(1) (42 U.S.C. 1397gg(e)(1)) as amended by section 803 of the Medicare, Medicaid, and SCHIP Benefits Improvement and Protection Act of 2000, as enacted into law by section 1(a)(6) of Public Law 106–554, is amended by redesignating subparagraphs (C) and (D) as subparagraph (D) and (E), respectively, and by inserting after subparagraph (B) the following new subparagraph:

“(C) Section 1903(v)(4) (relating to optional coverage of categories of permanent resident alien children), but only if the State has elected to apply such section to the category of children under title XIX.”.

(c) EFFECTIVE DATE.—The amendments made by this section take effect on October 1, 2002, and apply to medical assistance and child health assistance furnished on or after such date.

SEC. 603. ELIGIBILITY OF DISABLED CHILDREN WHO ARE QUALIFIED ALIENS FOR SSI.

(a) IN GENERAL.—Section 402(a)(2) of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (8 U.S.C. 1612(a)(2)) is amended by inserting after subparagraph (K) the following new subparagraph:

“(L) SSI EXCEPTION FOR DISABLED CHILDREN.—With respect to eligibility for benefits for the specified Federal program described in paragraph (3)(A), paragraph (1) shall not apply to a child who is considered disabled for purposes of the supplemental security income program under title XVI of the Social Security Act.”.

(b) EFFECTIVE DATE.—The amendment made by this section shall take effect on October 1, 2002, and apply to benefits furnished on or after such date.

TITLE VII—ENSURING STATE ACCOUNTABILITY

SEC. 701. INFLATION ADJUSTMENT OF MAINTENANCE-OF-EFFORT REQUIREMENT.

Section 409(a)(7) (42 U.S.C. 609(a)(7)) is amended—

- (1) in subparagraph (A), by inserting “inflation-adjusted” before “historic State expenditures”; and
- (2) in subparagraph (B), by adding at the end the following:

“(vi) INFLATION-ADJUSTED HISTORIC STATE EXPENDITURES.—The term ‘inflation-adjusted historic State expenditures’ means, with respect to a fiscal year, historic State expenditures with respect to the fiscal year, multiplied by the sum of 1.00 plus the inflation percentage (as defined in section 403(a)(2)(F)) in effect for the fiscal year.”.

SEC. 702. BAN ON USING FEDERAL TANF FUNDS TO REPLACE STATE AND LOCAL SPENDING THAT DOES NOT MEET THE DEFINITION OF QUALIFIED STATE EXPENDITURES.

(a) PROHIBITION.—Section 408(a) (42 U.S.C. 608(a)) is further amended by adding at the end the following:

“(14) BAN ON USING FEDERAL TANF FUNDS TO REPLACE STATE OR LOCAL SPENDING THAT DOES NOT MEET THE DEFINITION OF QUALIFIED STATE EXPENDITURES.—A State to which a grant is made under section 403 and a sub-State entity that receives funds from such a grant shall not expend any part of the grant funds to supplant State or local spending for benefits or services which are not qualified State expenditures (within the meaning of section 409(a)(7)(B)(i)).”.

(b) PENALTY.—Section 409(a) (42 U.S.C. 609(a)) is further amended by adding at the end the following:

“(17) PENALTY FOR USING FEDERAL TANF FUNDS TO REPLACE STATE OR LOCAL SPENDING THAT DOES NOT MEET THE DEFINITION OF QUALIFIED STATE EXPENDITURES.—

“(A) IN GENERAL.—If the Secretary determines that a State to which a grant is made under section 403 for a fiscal year has violated section 408(a)(14) during the fiscal year, the Secretary shall reduce the grant payable to the State under section 403(a)(1) for the immediately succeeding fiscal year by an amount equal to 5 percent of the State family assistance grant.

“(B) PENALTY BASED ON SEVERITY OF FAILURE.—The Secretary shall impose reductions under subparagraph (A) with respect to a fiscal year based on the degree of non-compliance.”.

TITLE VIII—IMPROVING INFORMATION ABOUT TANF RECIPIENTS AND PRO- GRAMS

SEC. 801. EXTENSION OF FUNDING OF STUDIES AND DEMONSTRATIONS.

Section 413(h)(1) (42 U.S.C. 613(h)(1)) is amended by striking “2002” and inserting “2007”.

SEC. 802. LONGITUDINAL STUDIES OF EMPLOYMENT AND EARNINGS OF TANF LEAVERS.

Section 413 (42 U.S.C. 613) is amended—

(1) in subsection (h)(1)—

(A) by striking “and” at the end of subparagraph (C);

(B) by striking the period and inserting “; and”; and

(C) by adding at the end the following:

“(E) the cost of conducting the studies described in subsection (k).”; and

(2) by adding at the end the following:

“(k) LONGITUDINAL STUDIES OF EMPLOYMENT AND EARNINGS OF TANF LEAVERS.—

“(1) IN GENERAL.—The Secretary, directly or through grants, contracts, or interagency agreements shall conduct a study in each eligible State of a statistically relevant cohort of individuals who leave the State program funded under this part during fiscal year 2003 and individuals who leave the program during fiscal year 2005, which uses State unemployment insurance data to track the employment and earnings status of the individuals during the 3-year period beginning at the time the individuals leave the program.

“(2) REPORTS.—The Secretary shall annually publish the findings of the studies conducted pursuant to paragraph (1) of this subsection, and shall annually publish the earnings data used in making determinations under section 407(b).”.

SEC. 803. INCLUSION OF DISABILITY STATUS IN INFORMATION STATES REPORT ABOUT TANF FAMILIES.

Section 411(a)(1)(A) (42 U.S.C. 611(a)(1)(A)) is amended by adding at the end the following:

“(xviii) Whether the head of the family has a significant physical or mental impairment.

SEC. 804. ANNUAL REPORT TO THE CONGRESS TO INCLUDE GREATER DETAIL ABOUT STATE PROGRAMS FUNDED UNDER TANF.

Section 411(b)(3) (42 U.S.C. 611(b)(3)), as amended by section 401(b)(1) of this Act, is amended to read as follows:

“(3) the characteristics of each State program funded under this part, including, with respect to each program funded with amounts provided under this part or with amounts the expenditure of which is counted as a qualified State expenditure for purposes of section 409(a)(7)—

“(A) the name of the program;

“(B) whether the program is authorized at a sub-State level (such as at the county level);

“(C) the purpose of the program;

“(D) the main activities of the program;

“(E) the total amount received by the program from amounts provided under this part;

“(F) the total of the amounts received by the program that are amounts the expenditure of which are counted as qualified State expenditures for purposes of section 409(a)(7);

“(G) the total funding level of the program;

“(H) the total number of individuals served by the program, and the number of such individuals served specifically with funds provided under this part or with amounts the expenditure of which are counted as qualified State expenditures for purposes of section 409(a)(7); and

“(I) the eligibility criteria for participation in the program;”.

SEC. 805. ENHANCEMENT OF UNDERSTANDING OF THE REASONS INDIVIDUALS LEAVE STATE TANF PROGRAMS.

(a) **DEVELOPMENT OF COMPREHENSIVE LIST OF CASE CLOSURE REASONS.**—The Secretary of Health and Human Services shall develop, in consultation with States and policy experts, a comprehensive list of reasons why individuals leave State programs funded under this part. The list shall be aimed at substantially reducing the number of case closures under the programs for which a reason is not known.

(b) **INCLUSION IN QUARTERLY STATE REPORTS.**—Section 411(a)(1)(A)(xvi) (42 U.S.C. 611(a)(1)(A)(xvi)) is amended—

(1) by striking “or” at the end of subclause (IV);

(2) by striking the period at the end and inserting “; or”; or

(3) by adding at the end the following:

“(VI) a reason specified in the list developed under section 805(a) of the Next Step in Reforming Welfare Act.”.

SEC. 806. STANDARDIZED STATE PLANS.

Within 6 months after the date of the enactment of this Act, the Secretary of Health and Human Services, after consulting with the States, shall establish a standardized format which States shall use to submit plans under section 402(a) of the Social Security Act for fiscal year 2004 and thereafter.

SEC. 807. STUDY BY THE CENSUS BUREAU.

(a) **IN GENERAL.**—Section 414(a) (42 U.S.C. 614(a)) is amended to read as follows:

“(a) **IN GENERAL.**—The Bureau of the Census shall implement a new longitudinal survey of program dynamics, developed in consultation with the Secretary and made available to interested parties, to allow for the assessment of the outcomes of continued welfare reform on the economic and child well-being of low-income families with children, including those who received assistance or services from a State program funded under this part, and, to the extent possible, shall provide State representative samples.”.

(b) **APPROPRIATION.**—Section 414(b) (42 U.S.C. 614(b)) is amended by striking “1996,” and all that follows through “2002” and inserting “2003 through 2007”.

SEC. 808. ACCESS TO WELFARE; WELFARE OUTCOMES.

Section 411 (42 U.S.C. 611) is amended by adding at the end the following:

“(c) ANNUAL REPORTS ON WELFARE ACCESS AND OUTCOMES.—

“(1) STATE REPORTS.—Not later than January 1 of each fiscal year, each eligible State shall collect and report to the Secretary, with respect to the preceding fiscal year, the following information:

“(A) The number of applications for assistance from the State program funded under this part, the percentage that are approved versus those that are disapproved, and the reasons for disapproval, broken down by race.

“(B) A copy of all rules and policies governing the State program funded under this part that are not required by Federal law, and a summary of the rules and policies, including the amounts and types of assistance provided and the types of sanctions imposed under the program.

“(C) The types of occupations of, types of job training received by, and types and levels of educational attainment of recipients of assistance from the State program funded under this part, broken down by gender and race.

“(2) USE OF SAMPLING.—A State may comply with this subsection by using a scientifically acceptable sampling method approved by the Secretary.

“(3) REPORT TO THE CONGRESS.—Not later than June 1 of each fiscal year, the Secretary shall prepare and submit to the Committee on Ways and Means of the House of Representatives and the Committee on Finance of the Senate, publish in the Federal Register, and make available to the public a compilation of the reports submitted pursuant to paragraph (1) for the preceding fiscal year.”.

TITLE IX—EFFECTIVE DATE

SEC. 901. EFFECTIVE DATE.

(a) IN GENERAL.—Except as provided in sections 208 and 502(f) and in subsection (b) of this section, the amendments made by this Act shall take effect on October 1, 2002, and shall apply to payments under parts A and D of title IV of the Social Security Act for calendar quarters beginning on or after such date, without regard to whether regulations to implement the amendments are promulgated by such date.

(b) DELAY PERMITTED IF STATE LEGISLATION REQUIRED.—In the case of a State plan under section 402(a) or 454 of the Social Security Act which the Secretary of Health and Human Services determines requires State legislation (other than legislation appropriating funds) in order for the plan to meet the additional requirements imposed by the amendments made by this Act, the State plan shall not be regarded as failing to comply with the requirements of such section 402(a) or 454 solely on the basis of the failure of the plan to meet such additional requirements before the 1st day of the 1st calendar quarter beginning after the close of the 1st regular session of the State legislature that begins after the date of the enactment of this Act. For purposes of the previous sentence, in the case of a State that has a 2-year legislative session, each

year of such session shall be deemed to be a separate regular session of the State legislature.

